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Cuba

Reportage Continues on 11th Pan-American Games

Fidel Meets Gold Medalists

FL0808161591 Havana Tele Rebelde Network in Spanish 1000 GMT 8 Aug 91

[Text] Commander in Chief Fidel Castro Ruz, president of the Councils of State and Ministers, received from the hands of marathon runner Alberto Cuba the medal that he won in these 11th Pan-American Games. Let's watch.

[Begin recording] [Cuba] The first medal was won by the construction workers for building these facilities. I won the second. I dedicate this to the people and especially to you.

[Fidel] Well, I will put it on for a minute and then I will give it back to you.

[Cuba] If you do not put it on, I will have to put it on you.

[Fidel] This was the first of all. Now I will give it to you, then we will put it in a museum.

[Cuba] Yes.

[Fidel] Do you understand?

[Cuba] Yes.

[Unidentified speaker] He is number one in Cuba.

[Fidel] Cuba of Cuba. Cuba is number one in Cuba. [end recording]

The commander in chief also participated in awarding medals from the record-setting track event of Ana Fidelia Quirot. He awarded the gold medal to Ana Fidelia, last Monday's winner of the 400 meter race. In this race Quirot set a new national and Pan-American record.

Guyanese Envoy Praises Efforts

FL0808161691 Havana Radio Reloj Network in Spanish 1408 GMT 8 Aug 91

[Text] The prime minister of the Cooperative Republic of Guyana, Hamilton Green, has arrived in Cuba on a friendly visit, during which he will fulfill an intense schedule including attendance at several Pan-American Games events.

In conversations with the press, the distinguished visitor commented on the games and said that Fidel and the Cuban people should be justifiably proud of their good organization. The Guyanese prime minister noted that Cuba has done very well in the competition. He added: I know that everything possible has been done so these games will be successful.

The distinguished visitor said that Guyana and Cuba have always had good relations, especially in the health and sports areas.

Pan-Am President Lauds Games

FL0808160591 Havana Radio Reloj Network in Spanish 1303 GMT 8 Aug 91

[Text] Mario Vazquez Rana, president of the Pan-American Sports Organization [PASO], has stated that these are the best Pan-American Games in the history of the event since they started 40 years ago in Argentina. He also said that this is the best Pan-American village because they have had the fewest problems and the greatest participation of all in an atmosphere of great happiness. He expressed appreciation to Cuba for the conditions created to celebrate the event in a ceremony in which he was declared Illustrious Guest to the city.

Pedro Chavez, president of the Havana City People's Assembly, presented the PASO chief executive with the medal and certificate of Illustrious Guest, which was extended as well to the foreign guests who are attending the games.

Vazquez Rana expressed appreciation for this high distinction and for the support given to members of the PASO in Havana and Santiago de Cuba.

UJC Assigns Idle Youths to Agrarian Brigades

FL0808221691 Havana Radio Reloj Network in Spanish 1945 GMT 8 Aug 91

[Text] This year, the nearly 30,000 workers and peasants that regularly participate in the coffee harvest will be joined by over 200 youths that the UJC [Young Communists Union] has assigned to 20 recently created agrarian brigades. The youths' goal for the recently started harvest in Guantanamo Province is to surpass last harvest's level of 85,000 cans. The UJC in Guantanamo is seeking to stabilize its basic production and farm units by emphasizing recruitment of youths that are not employed or involved in education and turning these brigades into a high productivity force. Most brigade members agree that it is not going to be easy to surpass levels reached by vanguard units during the last harvest.

Inter-Caribbean Affairs

Caricom Countries To Advance Trade Initiative

FL0808180991 Bridgetown CANA in English 1709 GMT 8 Aug 91

[By Rickey Singh]

[Text] Port-of-Spain, Trinidad, Aug 8, CANA—Caribbean Community (Caricom) countries and other members of the Economic Commission for Latin America and the Caribbean (ECLAC) are to advance a new initiative on multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT).

The initiative, emphasizing regional food security as a primary objective, flows from deliberations and decisions of the recently-concluded 13th conference of the Caribbean Development and Cooperation Committee (CDCC) in Jamaica.

The six-point initiative, embodied in a resolution introduced by Cuba on future multilateral trade negotiations, urged the countries which participate in the 'Uruguay Round' to:

—Do away with the protectionist practices that hinder the developing countries' trade;

—Improve market access conditions for products of interest to the developing countries;

—Foster the adoption of commitments in the agricultural sector, conducive to the substantial reduction of domestic assistance and the gradual elimination of export subsidies, taking into account the interest of net food importing developing countries;

—Foster the gradual elimination of restrictions stemming from the multi-fibre agreement and the integration of the textile sector into the general agreement, taking into account the interest of new entrants and small suppliers;

—Maintain the developing countries' right to adopt safeguard measures, respecting the principle of 'most favoured nation' status; and resist the implementation of protectionist measures on exporters from developing countries; and

—Include the principle of the economic development of the developing countries and the effective implementation of special and differential treatment in each negotiation area.

Another important decision was the approval of Puerto Rico's application for membership of the CDCC. This decision was linked to a call by participating representatives that the United States of America "continue to take all necessary measures to guarantee to the people of Puerto Rico its right to self-determination."

The CDCC, like the Caribbean Council for Science and Technology (CCST), operates out of the secretariat of the subregional headquarters in Port-of-Spain of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC). The 13th session of the CDCC, attended by 11 member states of the Caribbean and four associate members, was formally declared opened by Dr. Lucille Mair, Jamaica's minister of state in the Ministry of Foreign Affairs and Foreign Trade.

The approved resolution on future multilateral trade negotiations recalled that the CDCC, in keeping with its relationship with ECLAC, was expected to function as a coordinating and consultative regional body on "development-related issues in the Caribbean."

Some of the more challenging issues facing Latin America and the Caribbean were raised in addresses by various speakers, including the executive secretary of ECLAC, Gert Rosenthal, and the director of the ECLAC regional headquarters for the Caribbean, Clyde Applewhite. Rosenthal alluded to the implications for CDCC countries of recent global and regional economic developments, including the multilateral trade negotiations taking place within the framework of GATT and President George Bush's Enterprise for the Americas Initiative (EAI).

"The trade aspects of the 'Bush Initiative,'" he said, "pose a particular important challenge for the Caribbean nations." However, in Rosenthal's view, the potential benefits to be derived from the EAI in the form of increased trade and investment flows, and a more efficient allocation of resources, "appear to be less clear for the Caribean than for Latin America." This, said Rosenthal, was because of the preferential access already granted to the Caribbean countries to [as received] the American market under the Caribbean Basin Initiative (CBI).

Caricom last month entered into a multilateral framework agreement with the USA, designed to obtain the best possible advantages for the region under the trade, investment, and debt- reduction segments of the EAI.

In her address as outgoing chairperson of the CDCC, the prime minister of the Netherlands Antilles, Maria Liberia-Peters, stressed the "critical role" of the CDCC in overcoming "language and cultural barriers which tend to weaken the Caribbean's voice in international matters." Jamaica's Lucille Mair, who succeeded Maria-Peters as the new chairperson of the CDCC, pledged her government's "full support" for the CDCC, which she considers to be "still the best forum for Caribbean-wide cooperation" in the quest for full development of the region's peoples.

Traditionally, as explained by the ECLAC secretariat, the CDCC functions as an intergovernmental organization and meets annually at the technical and ministerial levels. Its operational activities are carried out under the regular ECLAC work programme for the Caribbean. This includes transport and communications, international trade and trade-in-services, science and technology, women in development, social sciences, information and document systems, economic and social development planning, statistics, agriculture, environment, energy, tourism, training and assistance with the management of national economies.

The 14th session of the CDCC is likely to be held either in Cuba or St. Lucia in 1992.

Caricom Experts Seek Regional Trade Approaches

FL0808191591 Bridgetown CANA in English 1840 GMT 8 Aug 91

[By Colin King]

[Text] Bridgetown, Barbados, Aug 8, CANA—Caribbean Community (Caricom) trade representatives, facing slowing growth of regional trade since 1988 and challenging global trends towards free trade, met here Thursday, seeking to develop and refine regional approaches.

Initial steps towards a regional export development strategy were expected to emerge from the discussions at the Caricom Export Development Council (CEDC) third annual meeting. The agenda, opening with statements from Barbados Trade, Industry, and Commerce Minister Carl Clarke, and Caricom and European Community (EC) officials, included consideration of a plan for a "Buy-Caricom" promotion campaign, and reports on past and coming participation at trade fairs.

"How prepared are we to take opportunities and face challenges" CEDC Chairperson Hannah Clarendon asked, referring to the opening of intra-regional markets, possible hemispheric free trade, and single Europe after 1992.

The still "underdeveloped" regional private sector required that support institutions, at regional, sub-regional, and national levels be strengthened, Clarendon said, adding that service, productive, and export sectors needed to grow simultaneously to achieve the aim of increased exports.

Caricom director of Trade and Agriculture, Hayden Blades, claimed wide success of governmental programmes to remove intra-regional trade barriers and open access to extra-regional markets, and urged a private sector response.

"This is a challenge for the private sector which has not yet scratched the surface of excellent market opportunities," Blades said, adding that CEDC must urgently develop focused and concerted efforts to develop exports without which regional economies might stagnate and decline.

Minister Clarke emphasised Caricom's past efforts at primarily import substituting industrial development, a new crucial role of foreign exchange in regional economies, and regional action in the face of certain international trends.

"The challenge is one of earning even more foreign exchange as a result of the declining contributions of our traditional export sectors; the persistence of high import bills; the increasing propensity for imports over regionally produced products and services; and the burdensome external debt... Consequently, we have no alternative than to export more goods and services if we are to extricate ourselves from the economic difficulties that confront us as a region," Clarke said. He suggested there was need to shift some emphasis from weakening export manufactures such as garments and furniture to the export of services, and also to give more attention to non-traditional markets such as Puerto Rico, Martinique, and Guadeloupe.

Clarke urged the council to consider subtle elements in the advocacy of free trade globally and its central place in the internal functioning of economic and trading blocs now emerging.

"I wish you to reflect... on whether the decision of these developed countries to promote free international trade in goods and services has not stemmed from the fact that they have now been able to develop the unchallenged capacity to capitalise on free trade," he said.

Caricom should consider how it can benefit from free international trade at its stage of development, and then determine the level of its participation in hemispheric or wider trade liberalisation proposals, Clarke suggested.

"....If international free trade is to bring about enhanced economic activity and improved social well-being, then many of the imperfections which exist in the international trade markets will first have to be removed," he said. Free movement of labour, and capital; perfect competition in markets for labour, capital, and final goods; and necessary technology transfers are "first conditions" for international free trade, the minister stipulated.

"The Caribbean must therefore not be distracted from its objective of developing its productive and trading capacity within the context of regional integration. The intransigence of some of the developed countries to agree to complete free trade... Outside their respective blocs even at this time is very, very instructive indeed." He observed, however, that free trade was "like a train that is about to depart" and the region dared not risk being left behind, despite reservations about the journey.

"It is up to fora such as these to give us a better appreciation of what that journey is likely to be and what its ultimate destination will be."

CEDC, established by the Caricom Council of Ministers, has as its executive agency the Barbados-based Caricom Export Development Project (CEDP).

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Bahamas

Caribbean Countries Gasoline Prices Compared

FL0808135491 Bridgetown CANA in English 1312 GMT 8 Aug 91

[Text] Nassau, Bahamas, Aug 8, CANA—A four-cent increase on the price of all grades of gasoline took effect here Tuesday, after approval was given by the Price Control Commission. The hike pushed to U.S. 1.88 dollars the average price of a gallon of high test gas at the pump in New Providence. All suppliers and distributors, except those on Grand Bahama, the country's second major island, were allowed the increase. New mark-ups for Grand Bahama will be dealt with at a later date.

"Even though the recession in the U.S. economy is affecting us, the impact of these increases on consumers' household budgets would not be as great as in many other countries," Minister of Consumer Affairs Vincent Peet told reporters. Compared with other Caribbean countries, Peet said suppliers in the Bahamas had been allowed one of the lowest profit margins at 17 cents per U.S. gallon.

He said the mark-ups currently allowed to suppliers and retailers in New Providence and Grand Bahama were fixed at 17 cents and 25 cents for all grades of gasoline, and 14 cents and 19 cents for diesel oil per U.S. gallon.

On the other hand, the mark-ups afforded suppliers in other Caribbean countries per U.S. gallon were: Bermuda, 55 cents per U.S. gallon; Cayman Islands, 34 cents; Grenada, 40 cents; Barbados, 29 cents; and St. Lucia, 29 cents.

While the average price of high test gas in New Providence would be U.S. 1.88 dollars, the same gallon of gas cost U.S. 4.12 dollars in Bermuda, U.S. 2.66 dollars in St. Lucia, U.S. 3.40 dollars in Grenada, U.S. 3.45 dollars in Barbados, Peet said.

Barbados

Editorial Salutes Jamaican Independence

FL0808172391 Bridgetown CANA in English 1328 GMT 8 Aug 91

[Text] Bridgetown, Barbados, Aug 8, CANA—Following is the text of the editorial in Thursday's NATION newspaper.

"On its 29th anniversary of political independence, it is neither the best nor worst of times for Jamaica, the first of the Caribbean Community countries to gain independence from Britain. As one of the founding members of Caricom, Jamaica today is faced with the burden of having to implement very strict rules of management of scarce financial resources as imposed by the International Monetary Fund (IMF).

Barbadians, already alerted to the belt-tightening measures being dictated by the IMF, could empathise with the problems of their Jamaican cousins, whose country's external debt of U.S. 4.6 billion dollars is the highest in this region. Once one of the more strong, stable currencies in Caricom against the United States dollar, the Jamaican dollar has been sliding over the years of economic decline to today's level of just approximately U.S. 10 cents.

There is no mistaking the presence of influence of the IMF in the Jamaican society, where unemployment is estimated at about the size of the population of Barbados, and the mounting grievances are eroding even once popular bases of Prime Minister Michael Manley's ruling People's National Party (PNP).

As a recent public opinion poll by the reputable Dr. Carl Stone has established, the PNP's image as the best party to defend the poor is under siege as cost-of-living pressures harass most of the poorer classes.

Prime Minister Erskine Sandiford's Democratic Labour Party has its own image to worry about as it continues to negotiate with the IMF, and to move to Parliament with a package of expected austerity measures within four months of our own 25th independence anniversary.

Like Barbados, Jamaica remains a very vital market for Caricom and for the prospects of establishing a single market and economy within the next four years. It is a country of very resourceful people, and in particular, a most vigorous and enlightened private sector whose cooperation is vital to any government in Kingston.

On this season of the 29th independence birthday of their country, we salute the government and people of Jamaica with the hope that their dominant political parties will place greater attention on what's best for the country instead of the constant political tug-of-war that sharpens divisions and impedes productivity."

Unions Draft Proposals on Recommended Wage Cuts

FL0808234591 Bridgetown CANA in English 2139 GMT 8 Aug 91

[Text] Bridgetown, Barbados, Aug 8, CANA—Unions representing public workers have drafted proposals to the Barbados Government in response to an International Monetary Fund (IMF) recommendation that government cut its wage bill by nearly 10 per cent this year.

"The unions worked out a concensus and a set of proposals will be made to the government as soon as possible," a Barbados Workers' Union spokesman told CANA after a nearly three-hour meeting of 45 workers' representatives Thursday.

Prime Minister Erskine Sandiford told a recent meeting with union representatives of the recommended Bds 40 million dollars (one Barbados dollar = 50 U.S. cents) cut in the 500 million dollar fiscal year 1991-92 wage bill, as part of an economic adjustment agreement expected to be signed by monthend. Analysts have suggested the government may adopt a roll-back of wages to spread the effect of a wages bill cut and avoid public sector layoffs.

According to the union spokesman, information on the proposals drafted in Thursday's meeting will likely be disclosed after the union seeks and holds a meeting with Sandiford, possibly next week. He said the meeting Thursday, the first such to coordinate a position on a public sector industrial relations issue, was very cordial and participants "recognised the gravity of the situation and tried to work towards consensus."

Poor export performance, persistent government deficits, and consequent pressure on the balance of payments have forced the government into adjustment measures to reestablish fiscal and external payments balance.

Dominican Republic

Ex-President, Armed Forces Chief Sentenced

FL0808172591 Santo Domingo Radio-Television Dominicana Radio Network in Spanish 1637 GMT 8 Aug 91

[Text] Last night, the Federal District prosecutor requested a sentence of 20 years in prison for ex-President Salvador Jorge Blanco and General Manuel Antonio Pena Gomez (retired). Dr. Jose Leonardo Duran Fajardo also requested a fine of 76,000,000 pesos for the ex-president and a fine of 55,000,000 for the ex-secretary of the Armed Forces. The prosecutor requested these sanctions after a long trial in which he showed why Jorge Blanco and Pena Gomez should be found guilty of abuse of public power, among other charges.

At 0345 in the morning, Jorge Blanco and Manuel Antonio Pena Gomez were sentenced to 20 years in prison.

Military Commander Denies Trafficking Charge

FL0808133891 Santo Domingo Cadena de Noticias in Spanish 1132 GMT 8 Aug 91

[Text] The secretary of the Armed Forces has rejected the charge that the country has become the principal source for Caribbean drug-trafficking. Lieutenant General Victor Garcia Tejada denied in this sense declarations by the head of customs in Puerto Rico, George McKinney. The military commander said that it is not possible that drug-trafficking has increased over the last few months.

Lt. Gen. Garcia Tejada was interviewed after meeting with President Joaquin Balaguer. On another matter, the Armed Forces commander said that the Armed Forces will maintain their vigilance to help the National Police in the fight against crime.

Illegal Haitians Repatriated in San Cristobal

FL0808173291 Santo Domingo Radio-Television Dominicana Radio Network in Spanish 1628 GMT 8 Aug 91

[Text] In San Cristobal, 223 Haitians were repatriated while 80 were detained to be deported on Wednesday. Those who were repatriated were taken to the border crossing at Mal Paso in four buses in which they carried small appliances and foodstuffs.

Immigrations inspectors stated that the repatriations occurred because the majority of the people in this group were in the country illegally.

Grenada

Appeal Court To Hear Plea for Bishop Assassins

FL0808123091 Bonaire Trans World Radio in English 1130 GMT 8 Aug 91

[Text] The mercy appeal for convicted assassins of Grenada's Prime Minister Morris Bishop will be heard today in Georgetown. Odet (Bast) reports.

[Begin (Bast) recording] Appeal Court convenes a sitting this morning to consider a motion filed by defense lawyers for the Grenada Nineteen. The sitting was originally scheduled for yesterday, but was postponed due to the non-arrival of one of the judges, Justice Rex (McKee) of Guyana. The motion, filed in the name of defense lawyers Clarence Hughes of Guyana, and Grenada's (Fenice) Augustin, seeks a re-hearing of the appeal on the grounds that the lordships misdirected themselves.

The motion also seeks a stay of execution of a court order for the 14 condemned to death by hanging. Arguments for the state will be put by Trinidad and Tobago's former Attorney General (Karl Hudson Cinisciusi) and Grenada's Attorney General Dr. Francis Alexis. Dr. Alexis says by today those convicted should know whether they would have a re-hearing of the appeal. [end recording]

Court Dismisses Rehearing Motion

FL0908002891 Bridgetown CANA in English 2254 GMT 8 Aug 91

[Text] St. George's, Grenada, Aug 8, CANA—The Grenada Court of Appeal on Thursday dismissed a motion seeking a rehearing of the Maurice Bishop murder appeal. The motion was another bid to save 14 former government and army officials sentenced to death for the 1983 killing of leftist Prime Minister Bishop.

Appeal Court President Sir Frederick Smith made his feelings known from the outset of submissions on the motion. He said: "I am not sitting down here and listening to any argument that I misdirected myself. I spent too much time writing this judgement."

"... I do not claim to be the pope nor am I infallible but I see nothing wrong with the judgement," Sir Frederick said.

However, defence lawyers, led by Guyanese senior counsel Clarence Hughes, insisted that the court had an inherent right which it must exercise in calling for the rehearing of the appeal. But he failed to produce any previous authorities on which the court had the right to rehear the appeal, when asked to do so by the court president.

In dismissing the motion, the court also threw out a request for a stay of execution against the 14. The defence argued that the court should grant the stay in light of the petition now before the Inter-American Commission on Human Rights, asking for "provisional and permanent relief against the death penalties and sentences of imprisonments" against the 14. But the appeal court ruled that it had no jurisdiction on the matter.

Haiti

Deputies Invite Preval To Visit Parliament

FL0808223591 Port-au-Prince Radio Metropole in French 1600 GMT 7 Aug 91

[Excerpt] On 6 August, the deputies decided to invite Prime Minister Rene Preval to come to the Chamber on 8 August in order to explain himself and to also explain the application of the 7 March Law 1991, as well as the implementation of his government's general policy.

It is to be noted that the Senate of the Republic also selected several new candidates as judges in the Appeal Court. According to LE NOUVELLISTE, the Senate sent a list of 30 names to the president of the Republic, as he had requested. The list of candidates are for the post of judge at the Appeal Court. According to constitutional provisions, there are three candidates per bench.

Yesterday, the Senate met in a closed session to put the finishing touches to the list of 10 new members at the Audit Court. [passage omitted]

Preval Declines Invitation

FL0808224991 Port-au-Prince Radio Soleil Network in Creole 1830 GMT 8 Aug 91

[Excerpt] Today, Prime Minister Preval did not accept the deputies' invitation to provide more explanations regarding his government's policy during the first six months. The president of the Chamber of Deputies, Ernst Pedro Caseus, told us that in a letter sent to the Chamber, the prime minister stated that he received the invitation too late and that he had other appointments. Therefore, he could not come to the Parliament today. In the same letter, the prime minister informed the deputies that he would be able to attend on 13 August. According to other deputies that we met, it is because of ill health that Preval did not come to the Parliament today. [passage omitted]

Opposition Leader Criticizes Aristide Government

FL0808134191 Bonaire Trans World Radio in English 1130 GMT 8 Aug 91

[Text] A second prominent opposition leader in Haiti has criticized the Aristide government on its six-month anniversary in office. Louis Dejoi accuses President Jean-Bertrand Aristide of having a sectarian government. By that he meant that Mr. Aristide had not kept a promise he made three months ago to call on members of other parties to work with his government. Unsuccessful presidential candidate Marc Bazin registered complaints on Tuesday, but also noted that the government is starting to eliminate corruption.

Metropole Comments on Aristide's First 6 Months

FL0808220591 Port-au-Prince Radio Metropole in French 1600 GMT 7 Aug 91

[Station commentary read by Metropole Information Director Clarens Renoit]

[Text] Beautiful words nourish the soul but do not nourish the body. This was a statement made on 5 August by one of the victims of the killings on 5 December 1990 in Petionville. The words by themselves summarize the situation of the country, six months after Father Jean-Bertrand Aristide took office. Just like this victim, abandoned to his fate in a hospital, a great deal of the Haitian population is starting to lose hope and is becoming impatient.

Today, can one still count on the mobilization which followed the historical elections of December 1990? The daily demonstrations in Port-au-Prince and the hunger strikes of unemployed youths who were yesterday the most fervent followers of the priest-president are the obvious signs of disappointment of a great part of public opinion. The people are hungry. Life is still very expensive. The youth are still unemployed and the doors to public offices are still closed to them. Here is the reality of these times.

At this time everyone is stopping to look back and examine the six months of this quinquennium which appears to have been difficult and stormy. Facing the reality of conducting power in Haiti, the president of the Republic must have all the trouble in the world to keep his promises to the population. Nevertheless, it is still too early—54 months remain in the term of his mandate. Jean-Bertrand Aristide has plenty of time to realize some of his large projects. Under the condition—of course that he has the means for his policy—because, one must admit it, the president is not lacking the will.

The president said: I succeeded in making the political revolution on 16 December; our goal is to succeed in creating a social revolution. These words, which the president of the Republic uttered on 4 August, reminds us of Jean Claude Duvalier. In 1975, Jean Claude Duvalier said almost the same: My father made the political revolution; I will make the economic revolution. However, the sentence spoken by President Jean-Bertrand Aristide on Sunday inspires some questions. Among them, although Jean-Bertrand Aristide is aiming to succeed in a social revolution, has he fully succeeded in his political revolution?

The president's words summarize the political vision of the head of the state because, as he says in referring to Che Guevara, we must succeed in the literacy campaign in Haiti while keeping sight of the Cuban and Nicaraguan model. Establishing a literacy campaign in Haiti is

equivalent to mobilizing the society. Are the youth willing and ready to commit themselves? Of course! The president maintains his popularity and his aura in the face of the young people and the poor.

Today, however, this sector appears less receptive to the president's coded message. Aristide must soon abandon his abstract speech in order to confront the reality of the present political climate and to focus on regional and external issues.

Let us now consider Father Jean-Bertrand Aristide's first six months in power. In the area of reforms, the government can take pride in having eliminated excess staff in public offices, even if several dismissals were made blindly. On behalf of demacoutization, numerous state employees, professionals, and competent technicians, who were perhaps also corrupted or nonsuited, were dismissed to join the ranks of the unemployed. At any rate, the newly structured Haitian public offices cannot function with only militants. Competent people are needed.

Reform occured rapidly within the army. Several heads fell. Today, the provisional hierarchy is composed of positive elements—young, more open to the democratic process, but without a doubt, more flexible. Six months after the advent of President Aristide, the honeymoon is lasting sweetly. This is good for the new-born democracy. The legitimate fruit of the marriage between the army and the population is security. Gangster activities, zenglendo and gangster groups have dropped considerably in Port-au-Prince. As a consequence, nightlife is returning.

One must, however, examine the flaws. The death of the five young men in Lalue, in circumstances not yet clarified, can be an element for conflict. It is necessary to avoid excessive zeal. A perfect partnership with the army will also allow the government to bring down opponent networks through spectacular raids on those who plot against internal state security. Today, the penitentiary has a group of people who have been sentenced and an important group who are awaiting sentencing.

In reviewing justice, for good or for bad, the president succeeded in the bet of holding Lafontant's trial in record time. From now on, 29 July is a double historical date. Justice, however, remains corrupted in the eyes of the head of the state. Many roads remain to be covered to clean up and purify justice. In speaking on Lafontant's trial, President Aristide noted that the truth was covered up by justice.

Still it is necessary that justice progress. The threat of necklacing, pere lebruning, is a practice which is far from being abandoned if one considers the president's word: Pere lebrun must be taught to the peasants. Pere lebrun is not authorized by the Constitution, but it is not prohibited either. This is to say, its use remains under circumstances, whether there is corruption in administration or injustice in the society.

Diplomacy is stagnating. Six months after coming to office, the government still does not have representatives abroad, especially in the large western capitals. However, the government has been successful in establishing good regional ties in Central America and the Caribbean. The absence of an ambassador in the Dominican Republic was strongly noted in the thorny question of the sugarcane cutters' deportations.

The enormous aid promises from foreign sponsors are still pending. No matter what anyone says, foreign aid, which is never given without a second thought, will be preceded or followed by drastic measures by the government. The government is unable to realize any projects without foreign aid. As a result, commerce is stagnated.

The government is breathing easier with the arrest of its most threatening opponents. Other opponents who were afraid of giving their opinion are moving to corner the government when the government does not keep its promises. This is evident now as popular mobilization is starting to show signs of breathlessness and impatience. It would be in the president's interest to correct the situation to prevent his popularity from crumbling. This popular mobilization is his right arm.

Dominican Republic Still Repatriating Haitians

FL0808231091 Port-au-Prince Radio Metropole in French 1600 GMT 7 Aug 91

[Text] Caravans of repatriated Haitians continue to arrive. Today, more than 300 people were repatriated. More people are expected this evening. Of the 300 Haitians who were repatriated, there are 100 children and 30 babies. Since the beginning of the week, approximately 2,000 Haitians have been repatriated to Port-au-Prince by the Dominican Republic.

Belize

Drug Cooperation Agreement Signed With Mexico

FL0808160391 Bridgetown CANA in English 1403 GMT 8 Aug 91

[Text] Belize City, Aug 8, CANA—Belize and Mexico have established a commission to coordinate joint actions against illegal drug trafficking and abuse. The Commission of Cooperation for the Control of Drug Trafficking and Drug Dependency, formally inaugurated on Tuesday, was provided for in an agreement signed between the two countries in February 1990.

Meetings will take place every four months. At its first meeting, the Commission discussed an overview of the drug situation in Belize and in Mexico, possible joint programmes, and areas of cooperation. Following the meeting, nine recommedations were agreed upon, which will be sent to the respective governments for action. They include more exchange of information about illegal drug trafficking, the establishment of rehabilitation programmes in Belize with the support of the Mexican Government, and allocating more resources to the prevention of abuse, and treatment of addicts.

Last year, Belize passed a tough new misuse of drugs act, which gives maximum 15 year prison sentences and 500,000 dollar (one Bze dollar = 50 cents U.S.) fines for drug traffickers. It also provides for the freezing of drug barons' assets and seizure of property.

Musa Completes 'Cooperation' Visit to Venezuela

FL0808145691 Bridgetown CANA in English 1354 GMT 8 Aug 91

[Text] Belize City, Aug 8, CANA—Belizean Foreign Minister Said Musa was due home Thursday after a three-day visit to Venezuela for talks on increasing bilateral cooperation.

A Foreign Ministry spokesman said Musa was accompanied on the trip by Belizean Ambassador to Venezuela Atlay Moralez and permanent secretary in the Ministry of Housing, William Tillett. Before leaving Caracas, the Belizean delegation was expected to conclude agreements with the Venezuelans related to a housing project in Belize City and the building of a new national stadium.

Talks on the two projects were initiated when Venezuelan President Carlos Andres Perez visited Belize in January.

Major Reshuffle Announced at Police Headquarters

FL0608182991 Bridgetown CANA in English 1441 GMT 6 Aug 91

[Text] Belmopan, Belize, Aug 6, CANA—A major shake-up of the senior ranks of the Belize police force took effect Monday, following the reassignment of Commissioner Bernard Bevans to the Ministry of Home Affairs and Defence as permanent secretary.

Replacing Bevans, police chief since 1986, was former Deputy Commissioner Kent Haylock.

However, the most controversial appointment was that of Superintendent Ornel Brooks as acting deputy commissioner. Formerly the head of the Eastern Division which includes Belize City, Brooks leap-frogged several longer serving officers to get the deputy's job.

Press speculation is that a high profile anti-crime effort code-named operation thunder led to his promotion.

Senior Superintendents Sherman Zuniga and Ruben Rodriguez, based at Belmopan Police Headquarters, were appointed to act as assistant commissioners of police.

The Public Services Commission also announced that Superintendent Carmen Zetina and Alvin Rowland were appointed to act as senior superintendents.

El Salvador

Armed Forces Arrest Man Involved in Killing

PA0808155591 San Salvador Canal Doce Television in Spanish 0300 GMT 7 Aug 91

[Passages within quotation marks recorded]

[Text] The Armed Forces today announced the arrest of a man involved in the 8 July murder of Martin Ayala, leader of the Council of Poor Communities [CCM]. The Army's Press Office has reported that on Sunday the Commission To Investigate Criminal Actions arrested a man identified as Jose Luis Anaya on charges of having participated in the murder of Martin Ayala.

The official report does not explain how Anaya was arrested. It notes that according to Anaya, the crime was committed by two other people that he identified only as Gilberto and Marta. He said that Gilberto used to be in the Army and Marta was a CCM secretary, and both are in hiding.

The body of 54-year-old Martin Ayala was found on the morning of 8 July tied to a column on the patio of the CCM building. His neck was almost completely severed and his body had multiple wounds made with a sharp object.

San Salvador Archbishop Arturo Rivera y Damas expressed doubts about the accused people really being involved in this case. Anaya was presented on television on Monday by the Press Committee of the Armed Forces. Rivera y Damas said he does not want to make any statement in this regard because he does not have enough information.

[Rivera y Damas] "I understand that the witness has said that the attackers were members of the National Police. Therefore, the arrested persons should have been either members of the National Police or at least dressed like national policemen."

Rivera y Damas demanded a careful investigation of this crime. He said the case should not be seen superficially because it is necessary to get to the bottom of it. The prelate's distrust for the government-created Commission To Investigate Criminal Actions is evident. He has reservations and doubts about its honesty.

[Rivera y Damas] "It is because we have evidence that in the case of the Jesuits, it first tried to twist the truth. If there is no argument capable of dissipating our misgivings, we will maintain our position that that commission is not suitable."

The Salvadoran Workers National Union Federation [Fenastras] has attached no credibility to the investigations of the murder of Martin Ayala. Fenastras Secretary General Juan Jose Huesos has said that the workers do not believe that the official investigations that led to the arrest of two alleged killers of Martin Ayala are trustworthy. The labor leader has called for an honest and thorough investigation because, he said, the security corps have the habit of presenting phoney defendants, especially when they are to be tried for crimes of a political nature.

[Huesos] "We have seen cases in which the Army uses special records to present itself as a body that respects human rights and does not participate in assassinations. This situation must be investigated. We think that the UN Observers for El Salvador should intervene so that people do not have to admit to committing crimes they have not committed."

Huesos gave no credibility to the Commission To Investigate Criminal Actions—the commission that carried out the investigations that led to the arrests.

[Huesos] "We do not trust any government commission. We do not trust the Commission To Investigate Criminal Actions because that commission has served as support for continuous violations of human rights [words indistinct] to improve the image of the Armed Forces."

Fenastras has urged the judicial authorities handling this case to act without pressure and to legally verify the veracity of the statements made by the two persons accused in connection with the brutal assassination of Martin Ayala.

Guatemala

Belize Stresses Position of Not Ceding Territory

PA0908033491 Guatemala City PRENSA LIBRE in Spanish 3 Aug 91 p 14

[Report by Alvaro Galvez Mis]

[Text] While the Belizean Government reiterates its position of not ceding an inch of land to Guatemala, Guatemalan Foreign Minister Alvaro Arzu Irigoyen underscores the need to continue the negotiations and find points of agreement to resolve this old dispute.

Belizean Prime Minister George Price said recently over Radio Belize that "Guatemala has nothing to claim because the [Belizean] territory is recognized by the international community as being completely independent." Foreign Minister Arzu, however, says that the claims will not end until a dignified and honorable solution is reached.

Prime Minister Price has begun making political advances, he said, toward joining in the near future the Central American regional forums such as PARLACEN [Central American Parliament] and other bilateral forums of an economic nature. One of Price's advocates in this effort is Honduran President Rafael Leonardo Callejas, who stresses that Belize is part of Central America.

PRENSA LIBRE interviewed Guatemalan Deputy Foreign Minister Haroldo Rodas, who said "there is a reality that cannot be denied; Belize is an independent nation and no one can dispute this."

Rodas stressed, however, that Guatemala wants to continue its talks with the Belizean Government to resolve the old dispute. Guatemala does not recognize Belize's unilateral independence as long as an accord of good understanding does not exist, Deputy Miniser Rodas said.

Arzu Irigoyen told PRENSA LIBRE that "the Foreign Ministry has analyzed the entire context of the old quarrel to come to a decision because there is nothing in writing on this." He said that Guatemala's rights are guaranteed in documents, but there is no single file on the negotiations carried out by the previous governments.

The British Embassy recently said that it is seeking to act as observer in negotiations. The UK once held jurisdiction over Belize and says that Belize is independent, therefore negotiations must be between Guatemala and Belize.

Price, a former theology student who has held power in Belize for more than 40 years, has repeatedly reiterated that he will not cede a single inch of land to Guatemala. The possibility was mentioned of granting to Guatemala the Zapotillo and Ranguana Keys, but Price clarified that this is not true.

The Guatemalan Government cites the possibility of restarting negotiations to resolve the dispute but the ministry has not reported the dates or place where such talks are to be held.

Panama

Endara Reportedly To Make Cabinet Changes Soon

PA0808155291 Panama City LA CRONICA in Spanish 8 Aug 91 p 7

[Text] Information that has been leaked to our newspaper from presidential sources seems to indicate that President Guillermo Endara will change his cabinet in less than 10 days.

It was learned that this change will affect Agricultural Development Minister Ezequiel (Chichilingo) Rodriguez, Presidency Minister Julio Harris, Foreign Minister Julio Linares, and Labor Minister Jorge Ruben Rosas. Rosas is said to be under great pressure in his ministry and has health problems.

The same source noted that Education Minister Marcos Alarcon and Health Minister Guillermo Rolla Pimentel are on shaky ground while Government Minister Juan Chevalier and Commerce Minister Roberto Alfaro are viewed as solid in their positions.

The source was unable to determine if these changes will affect Housing Minister Guillermo Quijano, Planning Minister Guillermo Ford, and Finance Minister Mario Galindo.

SPI Members Said Sent to Colombia in 'Secrecy'

PA0808192691 Panama City Radio KW Continente in Spanish 1200 GMT 8 Aug 91

[Text] The national government has sent a group of members of the Institutional Protection Service [SPI] to Colombia to specialize in counterguerrilla operations, according to an SPI source.

Our source said that the group consists of approximately 15 people and others are scheduled to be sent later. It is not known how long these individuals will stay in the neighboring country, but one is struck by the secrecy that has been maintained about this matter.

The SPI was created by President Endara to provide security for the Presidency.

Endara Reiterates Faith in Public Force

PA0908041091 Panama City EL PANAMA AMERICA in Spanish 8 Aug 91 p 1

[Report by Orlando Mendieta C.]

[Text] On 7 August President Guillermo Endara denied that the military structures created by Manuel Antonio Noriega's regime continue within the Public Force and reiterated his faith in the members of that institution who are responsible for surveillance. According to Endara, it is absurd to say that a policeman who earns 280 balboas per month has the mentality of soldier, because a policeman of that rank [not further specified] has the mentality of a policeman. [sentence as published]

The president reiterated his trust in the Public Force despite criticism by government and political sectors that claim that the structures created by Noriega remain within the institution. Endara does not believe these structures exist.

When asked about the wage increase being requested by the policemen and the Judicial Technical Police, PTJ, the president said that this is a difficult issue, but he hopes that the wages of the policemen who earn less that 300 balboas will be increased. He added that he is currently studying the possibility of including it in the next budget.

Less than two weeks ago the directors of the National Police and the PTJ asked the president for a wage increase for members of the two institutions. They claimed that the members of the National Police and the PTJ are earning very low wages, yet they face danger every time they attempt to stop a crime.

Journalists March for Respect; Meet Endara

PA0908030291 Panama City Circuito RPC Television in Spanish 1730 GMT 8 Aug 91

[Report by Alvaro Alvarado in Panama City]

[Text] Journalists marched today to the Presidency to demand respect for the activity of journalism. The march symbolically started from the Journalists House despite the heavy rain. The participants walked in silence carrying only one sign, which read: Out of respect for the Media. Journalists from different media—press, radio, and television—throughout the country walked along several streets until they reached Central Avenue. Then they walked in an orderly and respectful manner toward the Metropolitan Cathedral's square.

Upon arrival at the square, a delegation—led by Ciro Ortega, president of the National College of Journalists, that included representatives of the press, radio, and television, as well as cartoonists, cameramen, photographers, social communication students, and members of the National Trade Union of Journalists—met with President Guillermo Endara Galimany.

During the meeting, the journalists explained to the president the main problems that affect their organization and emphasized that government officials must be open and respectful concerning the questions asked by journalists. Immediately afterward President Endara and the delegation went to the Presidency's amphitheater to greet all the journalists who had participated in the march. The event was used to discuss all the proposals and agreements reached during the meeting.

[Begin recording] [Ortega] We have discussed the need to have a media law that sponsors the activity in a scientific way and projects it toward the future. Referring to this, we have agreed that journalists, meaning the National College of Journalists, the National Trade Union of Journalists, and all the journalists who are members of legally registered organizations, will meet and present within a specific time a draft media law so that it can be analyzed by the executive branch and other groups.

[Endara] Journalists have a duty to inform the citizenry, therefore public officials have a responsibility to respectfully provide information to journalists. Journalists are not just citizens; they are also intermediaries to the information-hungry citizenry, so the norm of respect is essential. I will demand it from all of my ministers, directors of autonomous agencies, and all public officials in the executive branch. [applause] [end recording]

Argentina

Communique Denies Foreign Minister's Remarks

PY0808132491 Buenos Aires TELAM in Spanish 2331 GMT 7 Aug 91

[Text] Buenos Aires, 7 Aug (TELAM)—The Foreign Ministry released a communique tonight denying that Chilean Foreign Minister Enrique Silva Cimma made statements about "the need to withdraw border police and Carabineros personnel from the Laguna del Desierto area." The following is the text of the communique that was released by the Foreign Ministry Press Office:

"In light of press rumors stating that the Chilean foreign minister expressed the need to withdraw border police and Carabineros personnel from the Laguna del Desierto area, the Argentine Foreign Ministry herewith states:

"1. This matter was not discussed at any time during the talks.

"2. A letter, dated 7 August, was received from the Chilean foreign minister confirming what is established in point 1.

"3. The Argentine Foreign Ministry reasserts its position that no changes will be made in the security forces stationed in the area."

Minister Outlines 'Concern' Over Subsidies

PY0808173991 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2355 GMT 7 Aug 91

[Text] Buenos Aires, 7 Aug (NA)—Through a letter delivered to him by Foreign Minister Guido di Tella, U.S. Vice President Dan Quayle learned of the Argentine Government's "serious concern" over subsidies paid on farm products in Europe and the United States.

This information was released today by Deputy Foreign Minister Alieto Guadagni, who said that the letter was delivered to Quayle on 5 August at the beginning of his official visit to Argentina.

The note says that "in the case of the United States, it is particularly evident that there is a trend toward diversifying subsidies."

This refers to the fact that both raw materials like wheat and other grains and also products like vegetable oils that have added value are being subsidized.

In the note, Di Tella says; "This position is not consistent with Article 16 of the GATT or with Article 9 of the Subsidies and Couterveiling Duties agreement of 1979."

In another paragraph, Di Tella says that subsidies on oils have harmed Argentine sales to Mexico, Turkey, Dominican Republic, Algeria, and Venezuela.

Di Tella also recalls that the U.S. Department of Agriculture recently reported the sale of subsidized grain to China, and the sale of 700,000 tons to Brazil.

Di Tella also stresses that the U.S. Government's GSM 102 [as received] program that guarantees the credits for exports is "another source of concern."

Referring to the subsidies, Di Tella says: "Argentina does not resort to such disloyal commercial practice."

In the letter, the Argentine foreign minister conveys the concern of local agriculture and livestock organizations, noting that this practice has caused currency losses to Argentina which "jeopardizes the implementation of economic reforms."

The letter ends by stressing the Argentine Government's willingness to sponsor bilateral technical meetings.

Vice President Duhalde Requests Leave of Absence

PY0808221091 Buenos Aires BUENOS AIRES HERALD in English 8 Aug 91 p 11

[Excerpt] Vice President Eduardo Duhalde yesterday officially asked Congress for a leave of absence until the coming national elections of September 8, when he will run for Buenos Aires governor. The petition includes a clause whereby the leave of absence will be suspended in case the vice president has to replace President Carlos Menem due to illness or a trip by the head of state.

Although Duhalde aides said there was still a possibility of coaxing opposition CGT [General Confederation of Labor]-Azopardo head Saul Ubaldini onto the vice president's list, Ubaldini stressed yesterday that he would not resign his candidacy for the Buenos Aires governorship on a list independent of the Justicialist Party. "We have very different political projects," Ubaldini said.

In related news, Duhalde's main rival, Radical candidate Juan Carlos Pugliese, criticized the deputy head of state for his statements presenting former Pilar police precinct chief Luis Patti as a model for policemen and the population in general. "Duhalde is more used to seeing television serials than going round his province. Our model of a policeman is (the late Federal Police chief) Angel Pirker, who used democratic methods to solve cases," he said. [passage omitted]

Bolivia

President Paz Gives State of Nation Address

PY0808151291 La Paz Television Boliviana Network in Spanish 1918 GMT 6 Aug 91

[State of the nation address by President Jaime Paz Zamora at the Congress Building in La Paz—live]

[Text] Thank you, Your Excellency Vice President Luis Ossio Sanjines.

In the first place, I want to greet Uruguayan President Luis Alberto Lacalle Herrera who is here with us [long applause], and also his illustrious delegation that is honoring the national festivities of Bolivia with its presence.

My greetings to the leaders of the honorable national Congress, the Senate president and the Chamber of Deputies president, and to the honorable national Congress. Special greetings to the state ministers who are here with me, to the honorable diplomatic corps, to the representatives of international organizations, to our Armed Forces represented by their High Command, to the national Police, to the Bolivian Catholic Church represented by the La Paz archbishop and his auxiliary bishops, to the honorable comptroller general of the Republic, to the prosecutor general of the nation, to the departmental authorities and departmental prefects, and to the mayor of La Paz.

Also, I want to greet with special affection the political heads of the Bolivian democratic system's parties, among whom should be noted General Hugo Banzer Suarez [long applause].

Dear countrymen, men and women of Bolivia, all brothers: I share with all of you this solemn session of the honorable National Congress in compliance with the political state Constitution, which in Article 96 mandates that the president of the Republic must deliver to the nation a written message on the course and state of affairs of the administration during the past year, accompanying the ministerial reports. I do so with the civic and democratic emotion and the profound love for our people that is renewed in all of us on the day of the fatherland.

This ceremony has a particular importance because it is held at the constitutional period's midpoint; that is, in the second year of the mandate of the government of national unity that I have the honor to preside over With more reason, this compels me to shun the formalities that have done so much damage to the nation's life; and, on the contrary, to exert myself in sincerely, rigorously, and openly sharing with you, honorable congressmen, and, through you, with all the Bolivian people, the adequate and necessary information and thoughts that, as the chief of state and ordinary citizen as well, nourish my spirit.

We are here together sharing this unique and irreplaceable Bolivian forum. Let us review our experience during this period. Let us imagine just for a single moment how different it would be from the current situation to have a Bolivia without democracy and consolidated freedom, without peace and the security we enjoy in the face of a gradually more violent world. Let us imagine a Bolivia isolated from itself and without any capability for dialogue and agreement between political parties, between the government and the opposition, between regions, ethnic groups, unions, and between the professional, business, and cultural organizations.

Let us imagine a Bolivia incapable of listening to her own voice and the voices of others. Let us imagine a Bolivia without having reformed the electoral system with pluralism and consensus, which will definitely guarantee clean and respected elections. Let us imagine a Bolivia with people without an identification system, without the national citizens registry. Let us imagine a stagnated Bolivia with very poor stability and uncertainty, and without having taken firms steps for its economic reactivation. In this case, investors would have been desperate already, there would have been more unemployment, the exporting activities would have been paralyzed due to lack of foreign currency to import even the basic needs, and the fiscal deficit would have been devouring us.

Let us imagine a Bolivia without the new investment law, without the hydrocarbons law or the reform of the mining code, without having signed the bilateral reciprocal protection agreement on investments with friendly countries, without having reached significant agreements with the IMF and the international financing system. Let us imagine a defenseless and unprotected Bolivia in the face of the current heartless world competition in the search to attract capital.

Moreover, let us imagine a Bolivia without the council for the reform and modernization of the judicial branch, which is currently fully at work. Imagine the country without the Safco Law [Integrated Financial Administration and Government Control System], which in addition to providing us with a modern financial administration and government control system, also provides us with an effective instrument to struggle against corruption, thus putting us at the top of this field for Latin American countries.

Let us imagine a Bolivia without initiative in the face of poverty, without the current mother-child action program, without having effectively completed the fine work of the social emergency fund, and without having taken steps for the creation of the social investment fund that has priority objectives in health and education in the urban and rural areas. Let us imagine a Bolivia without the national regional development fund and without its achievements in urban development and sanitation.

Let us also imagine a Bolivia isolated from the international community. Let us think back to the country without dialogue, the country of the past without valid partners to answer our urgent needs in cooperation and external financing, a passive country in the face of the integration process, and with a growing isolation from the international system and trade. Let us imagine a Bolivia with chronic delayed projects, without the ability to have her voice heard on such important issues as alternative development, the Indian problem, or the protection of the environment. Dear countrymen, thank God and the efforts of everyone that Bolivia belongs to the past. The current Bolivia's situation brings good news like the gospel. The recent years' harvest is beginning to bear fruits. The country we received, although with a high social cost, made worthy and decisive progress in monetary and financial adjustments, in the

market's liberalization, in the fiscal deficit's reduction, and in the tax system's improvement.

I do not think I am lying, when I say that the incipient stability we have inherited was fragile, and that international monetary reserves were not enough to cover the costs of imports for one week, to say the least, because the truth is that the balance was negative.

It is for this reason that our first efforts basically have been dedicated to facing that emergency situation, and then to design our government action program for the four years of government. Moreover, it was absolutely necessary for us and for all Bolivians to place the tough economic adjustment we have endured within the framework of a concept that would give us the possibility, the understanding, and the necessary prospects regarding the destiny of our society in the medium and long term.

It is absolutely necessary for national opinion to clearly know the objectives of so many accrued efforts and sacrifices. When we talk about a concept, we are referring to an overall concept of society and not to a given model. We are convinced that the old ideologies and models are facing a crisis because neither this nor that reflects all the complex needs and demands of our society.

Thus, the so-called communist model has failed, and the pure capitalist model, which many would rather call a neo-liberal model, has fully demonstrated that it is insufficient in many aspects. Therefore, without being encircled within any of these models, without prejudice or fears, with a pragmatic feeling, we have decided on a concept that will comply, as adequately as possible, with the unpostponable needs for development and the well-being of our people; a concept based on the ideas of rationality, modernization, effectiveness, competitiveness, equality, revaluation of human resources, equal opportunities, social justice, and solidarity; a concept that transforms reality through organic systems and that is developed within the framework of a free and democratic market economy, with a modern, effective, solidaristic, and servicing state.

Then, my dear fellow countrymen, it is a concept and not a model that seeks to solve in the best manner possible the difficult and permanent difference between rationality and free economic handling, on the one hand, and the optimum and equitable distribution of resources for development and social well-being, on the other hand.

All these ideas are expressed in government Decree 22407 and in the presidential message released on 11 January 1990, proposing to all Bolivians an organized effort for the following objectives:

1. To stabilize the current stability to its full consolidation.

2. To promote economic development and the creation of job opportunities.

3. To propose social development policies, namely in the health, education, housing, infrastructure, basic sanitation, sports, and youth sectors, as well as to adequately take care of the poorest sectors, especially the aged, women, and children.
4. To create an institutional legal system favorable to the promotion of national and foreign investments.
5. To begin the reform and modernization process of the state structure in different sectors such as the judicial system, the administration and control systems, the electoral system, and others. We have begun our work with this concept and with these objectives.

After having trod half the path, we will stop to report on and analyze all of our achievements and show clearly what must be done for the country in the next two years.

I must confess, however, that we would not have advanced in our plans if it had not been for the enormous contribution of the Bolivian people, who knew how to channel our action, guide our ideas, and set our eyes in the right direction.

Dear fellow countrymen, this national experience of joining efforts toward converging goals must awaken in us a new consciousness about our common destiny. This new consciousness must increase in Bolivia. We can express this consciousness through these fiery words: He who harms another Bolivian harms himself and the country. [applause]

Bearing these words in mind, I found it suitable to divide this message into four chapters: The first will deal with economic matters; the second with state reforms and modernization; the third with international policy; and the fourth with social policy.

Chapter One: Bolivian Economic Growth

In August 1990, I reported to the country that the consolidation of our economic stability was the most important achievement of my first year in office. At the end of this second year, I have the satisfaction to report that in 1991 we began the Bolivian economic growth process.

This is the first good news. From 1987 to 1990, our economy grew an average 2.7 percent, an amount similar to the increase in population. Currently, however, our economy is growing more than 3.5 percent and figures show that the economy will continue to grow until the end of 1991. This means that, for the first time in more than a decade, the income per inhabitant has increased in Bolivia. [applause]

This growth reflects the economic expansion of all sectors, but it is mainly the result of a considerable increase in the production of the agricultural, construction, and industrial sectors, which grew 10, 7, and 5 percent, respectively. These sectors intensively employ a large number of people and thus increase the number of jobs. In addition to that, as a result of their dynamic characteristics, these sectors create demand in all sectors of our national economic life.

The second good news is that we have put an end to the evil reputation that marked Bolivia as a country in which foreigners did not invest. Bolivia is no longer present only in the list of countries eligible to receive international donations and welfare assistance. We now appear on the investors' lists also. For the first time ever, foreigners also are investing in our agricultural sector.

The third good news is a consequence of the second one. The nine departments of our Republic are receiving unprecedented investment for oil-prospecting and oil-exploitation work. I will cite two examples: Bolivian Government Oil Deposits began drilling oil wells in La Paz Department in July, and private foreign companies will begin drilling the first oil well in Pando Department in August. [applause] This way, (Lliquimuni) and Puerto America are now introduced into Bolivian oil terminology.

The fourth good news is that thanks to massive investment in the sector of highways, airports, and communications infrastructures we are putting an end to the chronic dismemberment of our national territory. This dismemberment was not stopped by our predecessors and consequently hindered the integration of our Republic domestically and abroad. This effort is especially important for the regions that suffered more intensely the effects of this dismemberment in their communications infrastructure, as for instance the population of the northern, southern, and eastern regions of our country.

In the future thousands of Bolivians will be able to gradually communicate, travel, and know their land, thus breaking away from centuries of isolation.

The fifth historic good news is the remarkable increase in the volume and value of our exports, associated with a qualitative change in their structural composition. Not only do we export more products but we also do so with a more diversified structure; nearly 35 percent of our exports are nontraditional, coming from agriculture and manufacture; and more than 50 percent of the total comes from the private productive sector. This reality is in noticeable contrast to the structure of exports at the most acute peak of the crisis, when the state was directly responsible for more than 90 percent of the volume of exports, which was, moreover, concentrated in natural gas and minerals alone. We now no longer depend—as in the past—on exports of a single product, therefore, the vulnerability of Bolivia is decreasing daily.

The Basis of Growth

Dear countrymen, this growth is not the result of happenstance; it is the result of the efforts of each and every Bolivian and of a clear economic policy designed with rational criteria and efficiency, and implemented with rigor. By its own nature, this growth is sound and sustainable, which contrasts with that of the past; it does not rest on a precarious basis or passing circumstances; it is founded on a solid national consensus around the democratic process, on dialogue and political coordination as a method of government. Our growth is identified with the process of the state's structural reform that we have set in motion; it is linked with the dynamics of Bolivia's new incorporation into the international political and economic system; it is associated with one of the lowest inflation rates in Latin America; it is rooted in a public deficit that declined from 6 percent of the GDP in 1988 to a level estimated at 2.6 percent in 1991; it is anchored on the constant increase of international reserves; it is advancing in an international environment where access to financial resources is not easy and prices of raw materials are not favorable; finally, our growth is taking place in a modern, free, and democratic market economy in which thousands of Bolivians participate with their initiative and creativity.

This is a growth that inspires confidence. The growth of our national economy, which is the result of work by all of us, confirms our confidence in ourselves, and inspires international respect for Bolivia and increases its credibility abroad. We have finally reversed the centuries-old Bolivian tendency to migrate and the tendency of our capital to go abroad. The number of Bolivians returning is now higher than that of Bolivians leaving the country. The flow of Bolivian capital entering the country is larger than the flow leaving the country.

Figures prove these assertions irrefutably. In 1990, 125,825 Bolivians returned to and only 82,240 left the country. Likewise, deposits in the financial system, which in August 1989 were less than $400 million, today stand at more than $1 billion—a difference of only $600 million in just two years. This, dear countrymen, is more eloquent than the results of any survey. This confidence has spread across many borderlines. The management of the economy, seriously conducted, also has generated confidence abroad. In 1991, the flow of resources is positive, meaning that for each dollar that leaves the country to service the foreign debt, $1.80 comes in.

There are, however, dear countrymen, many tasks ahead of us in this field. Fortunately, the achievements already made fill us with spirit and enthusiasm to continue working.

Just as we converted stability into an irreversible process, let us also make growth an irreversible process. Let us improve the efficiency of the financial sector to make credit accessible for everyone and not a privilege due to its shortage and high cost.

We should make an effort to improve tax collection and to ensure a greater administrative efficiency. It is worth mentioning, however, that tax revenues have surpassed their collection goals by at least 25 percent. We should increase internal savings in order to increase our investment potential. We should substantially improve the quality of our human resources. We must be capable of channeling greater resources into social investments to satisfy the needs of the poorest sectors. Let us continue and strengthen the state and societal reform and modernization process. Let us keep the tendency to increase and diversify our exports by increasing our productive capacity and opening new markets abroad.

Before getting into details of the sectorial achievements, I would like to point out that we are convinced that the passage from stability to growth is the direct result of the change in the state's role, and of the opening of the productive sector to the people and foreign investment. In order to make this transformation possible, my government eliminated the subsidized credit, the state endorsement of private agents, and state investment in the productive sector. Instead the government concentrated its efforts in channeling external resources to the infrastructure and social development sectors, and allocated important funds to private agents through the actions of the Central Bank.

Let us now look at the sectorial growth in agriculture. Agriculture shows the largest growth rate of the entire economy. This is due to larger and more diversified private investment, which is finding fertile ground in economic stability, the elimination of restrictions on the free operation of markets, and the end of the long drought. There is a clear, long-range policy for this sector that is allowing early harvests. The tropical plantations of cotton were increased seven times in one year. The wheat production is satisfying all the needs of Santa Cruz Department. Soybean production will go over 320,000 metric tons in comparison to only 100,000 tons two years ago.

The agricultural revolution does not stop at the borders of the eastern region. Potato production has reached 729,000 metric tons, which represents a 40 percent increase compared with 1990. Nontraditional agricultural exports already have reached $200 million per year, of which $50 million is for livestock, $40 million is for soybean, $36 million is for wood, and $31 million is for sugar. The exports of chestnuts, leather, and coffee will go over $13 million, and the remaining dollars include several other products.

One of the privileged areas of agriculture is the irrigation policy. I would like to point out a few projects currently being built because their social impact will positively contribute to the agricultural development of the country. The (Acotaeta-San Juan del Oro) agricultural development covers more than 1,200 hectares of irrigation, which will benefit more than 4,000 families.

The peasants' self-development program in the La Paz, Oruro, and Potosi Departments—which are mainly financed by the EEC—will benefit more than 75,000 families with irrigation and basic infrastructure projects.

The Totora-Cocha dam project, involving 22 million cubic meters of water, will irrigate 5,000 hectares in Punata and Tiraque Provinces in Cochabamba Department. The Culpina-Sud Cinti project—50 years after it was built—will double its irrigation capacity, covering more than 2,000 hectares in Culpina Valley.

The agrarian policy put special emphasis on technological development and the improvement of production conditions. For example, we have the national program for the development of sericulture, which will promote the planting of 10,000 hectares of mulberry trees in the medium-range. The Bolivian Institute of Agricultural Technology—which, for the first time, will receive important amounts of support from the World Bank and AID—will promote an aggressive research and extension program.

The Porvenir agricultural development in Manuripi Province, Pando Department, which covers 300,000 hectares, will benefit 1,200 families. This fiscal year, the Peasant Development Fund, which is under the jurisdiction of the Presidency, will give a strong impetus to its policy of agricultural development by taking care of the needs of small producers.

A great deal still remains to be done, however, because agriculture involves about half of the economically active population, yet only produces 21 percent of the GDP. This is why the government must make a great effort to improve this sector's productivity. This means making changes in the training of human resources, in the expansion of irrigation programs, and in agricultural investments; this is the second agrarian reform that the peasants are expecting from the government. [applause]

Mining

The definition of a new long-range mining policy is leading to a complete transformation of this sector involving two great changes: The diversification of mining; that is, the development of zinc, gold, lead, silver, and nonmetallic minerals exploitation, primarily by private agents, and growing participation of technology and private national and foreign capital both in Comibol [Mining Corporation of Bolivia] and other mining companies.

The results show a noticeable recovery in this sector and an increase in their GDP contribution, from 6.3 percent in 1989 to 9.2 percent in 1991. From 1988 to 1989, zinc exports increased 300 percent, gold exports increased 25 percent, and lead and silver exports increased 10 percent. Private investment increased substantially—going up to $350 million.

These are not projects, but reality. I will mention three of them as examples: Intirraimi with an investment of $100 million for the next few years, the exploitation of the Colquiri mines by Milbrok, and the exploitation of Salar de Uyuni by Lithium Corporation. For the first time in more than 30 years there is private investment in the search for new mineral deposits. Keeping in mind our great geological resources that have not yet been exploited, this is very important.

If we had not promoted investment in exploration at the same rate as current production, then the mining sector would collapse in the next five years. In the case of Lithium Corporation, the government's decision last year—which was seriously questioned and considered a weak point—far from delaying lithium exploitation, gave the operation clearness and security based on a consensus and the participation of Congress and the institutions of Potosi Department. This decision will

allow the country to achieve—in the next 40 years of exploiting the salt mine—benefits of $1.7 billion with the possibility of expanding operations for the exploitation of potassium, soda ash, which is the raw material for lithium carbonate; and other elements.

The results of the metallurgical policy are encouraging. Despite low tin prices and subsidies for other tin refineries throughout the world, the Vinto tin refinery has recorded profits for thee consecutive years. I must mention the substantial contribution of the mining sector's cooperatives in creating jobs; they generated 16,000 new jobs in 1990.

Hydrocarbons

The country's hydrocarbons policy is also in the process of full transformation. The objective is to attract private investment and technology and increase proven reserves. The investments are showing satisfactory results. The world's main oil enterprises have signed contracts with YPFB [Bolivian Government Oil Deposits] worth $304 million, of which $262 million is for exploration and $43 million is for oil recovery. Negotiations on an additional package of $443 million are currently underway and will be concluded by the end of this year.

The projects initiated by Exxon and Texaco in Potosi, Oruro, and Beni complete investments in all the country's departments. The results could not be more eloquent. After 10 years, proven oil reserves have increased 20 percent in liquid hydrocarbons and 25 percent in natural gas. [applause] Production in the first seven months of this year has jumped on an average of 15 percent vis-a-vis the same period in 1990. Consequently, the risk of having to import gas is gradually fading.

Electric Energy

The electric energy policy is oriented toward the expansion of generation and distribution. Consequently, the National Electricity Enterprise's investment budget has been doubled thanks to a hefty infusion of foreign financing. In the first six months of 1991 alone, investments totalled $27 million, which is equivalent to the investment total for last year. The following projects have been implemented during this fiscal year: a three-megawatt thermoelectric plant in La Tablada, Tarija; a thermoelectric plant with an initial output of 40 megawatts in Valle Hermoso, Cochabamba, which was begun in 1990 and completed this July; the 42-kilometer, 230-kilowatt Valle Hermoso-(Corane) transmission line; the 45-kilometer, 230-kilowatt Valle Hermoso-(Coralio) transmission line; the 330-kilometer transmission line between Guarachi-Guaracachi in Santa Cruz and San Jose in Cochabamba; and the 100-kilometer, 60-kilowatt Telamayo-Tupisa transmission line, financed by ENDE [National Electricity Enterprise] and (MUSA).

Private investments by the Rural Electrification Cooperative and mixed corporations have surpassed $5 million so far this year. These investments have set in motion a policy destined to satisfy the demand from large sectors that were neglected for many years. The system of primary and secondary distribution has been expanded to benefit 42,000 new private users. Both the generation and consumption of electric energy have increased 8 percent, showing that the economic growth is real and that services provided by ENDE and the private sector are sufficient to maintain that growth.

Transport and Communication

The transport and communication sector has advanced considerably in the railroad, land, communications, and air sub-sectors.

The process of improving the railroad system is proceeding successfully with economic cooperation from Japan, Great Britain, Germany, the United States, Spain, and the World Bank amounting to more than $22 million for equipment repairs, spare parts acquisition, and railroad track materials. This will make it possible to reduce transport costs in the country's foreign trade. The total amount of cargo transported by rail in the first five months of this year equals 80 percent of the total cargo transported by rail in 1990. [applause] The main bottleneck in the railroad sector is the lack of rolling stock, which is, by the way, a characteristic problem in growing economies.

Roads

Our roads program is ambitious and has a high priority. Total investment for maintaining 1,357 kilometers of roads, paving 1,461 kilometers of roads, repaving 578 kilometers of roads, and other complementary projects is estimated at $762 million. This program represents 80 percent of all that has been done in the area of road construction since the founding of the Republic. [applause] Investments in the national road sector in 1991 will total $100 million, of which almost $60 million will come from foreign contributions.

The aim of the government's road policy is to integrate vast areas in the country's northern region into the nation's economic activities, to expand and improve export channels, and to link the south through the Libertadores Highway. The Santa Barbara-Vella Vista, San Buena Ventura-Cobija roads have been completed, and the Quiquibello-Cumu road is under construction. The highway linking (Renavaca), Santa Rosa, Riberalta, Cobija, Puerto Rico, and Nueva Etea is being improved.

The following export channel projects are in progress: repaving the La Paz-Oruro road, paving the (Concital-Caiguaci) road, and repairs to the Cochabamba-Chimore and Yapacali-(Guaviran) roads. Construction of the Oruro-Caiguaci and Cobija-Porvenir-Chibe roads is to begin soon, as well as construction of the Patacamaya-Tambo Quemado, Ayllon-San Jose, Camiri-Palmar Grande, and Bermejo- Desemboque roads. The government has also begun to repair segments of the Oruro-(Pisigan) road. The Totacoa-Puente Mendez segment of Libertadores Highway is

under construction, and construction of the Ouente Mendez-Potosi segment is about to begin. Finally, construction of the Heroes del Chaco road has begun with the Yacuiba-Palmar Grande segment.

Airports and Air Transport

Investments in airports are aimed at improving the infrastructure and domestic, as well as international, connections. The Cochabamba, Trinidad, and Tarija airports are being expanded or modernized. At the same time, using the existing infrastructure, the construction of new airports in Cobija, Riberalta, San Borja, Santa Ana, Yacuma Guayaramerin, (Rurrenavaca), San Ramon, and Yacuiba is being studied.

In the area of air transport, we have implemented an open airspace policy allowing the free movement of both passengers and cargo within the Andean subregional group. A process for the modernization of and buildup of capital assets for Bolivian LLoyd Airlines [LAB] has begun with the hiring of a firm charged with evaluating its economic status. The objective is to keep an efficient Bolivian airline operating in a very competitive market. The results of this evaluation show that LAB has a good potential, but unless investments are made in the next two years—something the country cannot afford—LAB will face serious economic problems. Beginning this month, invitations will be extended to international operators who may be interested in an association with our airline.

Communications

In the area of communications, Bolivia is entering the 20th century with only 10 years remaining in the century. The Bolivian Domsat satellite system envisages 13 remote ground stations, which have already been set up in the cities of Cobija, Riberalta, Guayaramerin, Magdalena, Santa Ana, Reyes, (Urrenavaca), San Borja, Apolo, Asuncion, San Matias, and others. We are also planning to enlarge the system by setting up 14 other remote stations, a stage which began in the second half of this year.

I want to emphasize the efforts made to improve the rural telephone system, which have made it possible for 76 localities in La Paz, Cochabamba, and Tarija Departments to join the national telecommunications network through a multi-access system. Telephone stations are already operational in rural areas of Cochabamba and Tarija. Telephone services were initiated in 36 townships of La Paz Department. Through a Spanish Government loan, these services will also be extended to 160 rural sites in Santa Cruz, Beni, Potosi, and Chuquisaca. [applause] Next month I will dedicate a cellular telephone system in La Paz, Cochabamba, and Santa Cruz; this system will enable us to join 21st century communications systems through foreign investment.

Industry

In the first half of 1991, the manufacturing sector grew by five percent, one of the highest levels in the past five-year period. Major factors in this increase were the food and construction material sectors. The establishment of duty-free zones have been favorably received. Thus far, the private sector has already invested over $4 million in these zones. The Puerto Aguirre, Oruro, and El Alto duty-free zones are fully operational. Those in Tarija and Santa Cruz are at the organizational and construction stage. [Word indistinct] and temporary imports are being satisfactorily implemented. During the eight months since the beginning of the program, 22 companies have registered and they have exported $11 million during the first quarter of 1991 [applause], thus generating 1,200 direct jobs and 900 indirect jobs.

Small and medium enterprises and handicraft sectors have received a major boost through fairs, training in new production techniques, and support of the foreign and domestic marketing process.

The construction sector increased by 3.5 percent during the first half of this year in comparison with the same period last year. The increase was prompted by public investment and, above all, by the private sector's dynamic efforts. Cement production, which most clearly represents the strength of this sector, increased 10 percent over the same period.

Employment

The central objective of our economic policy effort is to create more jobs for the Bolivian people. All the sectorial policies are designed to increase salaries and to reduce unemployment. The results obtained by March 1991 show that we are treading the right path to achieve this. Unemployment has dropped from 11.5 percent in 1988 to 8.1 percent this year. [applause]

Various indicators reveal that the employment rate is 6 percent higher this year in comparison with last year; that figure surpasses this year's estimated demographic and economic growth rate.

Reform and Modernization of the State

Our administration has undertaken a reform and modernization of the state and society so we can adhere to the rules of a market economy, which is compatible with the democratic and pluralist system we enjoy today and whose revolutionary potential we have rediscovered. In the context of democracy, we must resolve the problem of economic growth, reform and modernization of the state, and social development. To modernize is to foresee; that is, to plan the present looking to the future. In fact, a clear vision of the future is what makes it possible to appropriately interpret the past and transform the present. Building a nation means building its infrastructures—its physical, juridical, institutional, mental, and spiritual infrastructures; which presupposes ways of thinking and acting in consonance with the

needs of the time. I would say that this is giving shape to a new form of human behavior that can function in a democratic society, in a competitive economy, and in a context of social solidarity.

This, dear countrymen, is what we are doing with the cooperation of all Bolivian men and women. So that this effort can become a true national project, we need to unite the will of the Republic with the true spirit of enterprise in its strictest sense, which means an unswerving determination to assume and overcome risks.

Reform of Democratic Coexistence

From the consolidation, reform, and modernization of our democratic institutions, we are moving toward the realization of democratic coexistence among Bolivians. In the face of confrontation and conflict, the ability to negotiate, coordinate, and reach consensus and agreement is emerging as a clear signal of the democratic maturity and mentality that the country is developing. This has been the basis of the government's policy, in which the Interior Ministry's work has been noteworthy.

We are all conscious of the fact that democracy calls for responsible, effective behavior, without which the system cannot operate. Political and social opponents, more than acting as irreconcilable enemies, should look at themselves in light of this new mentality as adversaries between whom interests must be reconciled [applause].

We are more clearly realizing that democracy does not erase differences; on the contrary, it brings them to the surface with the understanding that they can be accommodated in a civilized manner. We must, therefore, consider in their proper dimension and as a new trait of our national life, the mechanisms of dialogue that are taking shape among the social, regional, production, and other sectors, and not only among themselves, but also with the government.

The country has received with satisfaction—and I would even say, with relief—the direct dialogue that has been established between the President and the opposition political leaders, and the fact that, above their own differences, some of these opposition leaders have been able to reach agreements on forming the current municipal governments. In this context of maturity within our democratic culture and with the perspective of the past two years, we can better understand in an unbiased manner the vanguard role that the creation of the Patriotic Accord in 1989 has had for the benefit of the whole country.

Within that context of development of our democratic culture and the perspective of the last two years, we can better understand in an unbiased manner the vanguard role played by the creation of the Patriotic Agreement in 1989 for the benefit of the country as a whole.

What, at a given time, some people viewed as an aberrant and unnatural alliance, today all the people and our country's inhabitants view as a normal alliance, based on an effort to contribute to the necessary unity of Bolivians and to the establishment of a majority consensus. Without such a consensus, the government's responsible and serious actions and—much less—democratic life are impossible.

After some time has elapsed, we Bolivians now are in a better position to assess the historic dimension of General Hugo Banzer Suarez's beliefs and attitude. [applause]

Intolerance among us must be definitely banished from our mental framework as a malicious habit of the past.

The Reform of Economic Laws:

With the hydrocarbons investment laws and the new mining code, we are seeking to attract national and foreign private capital, on equal terms, in order to resolve one of our economy's main bottlenecks, namely insufficient investment.

These laws provide for the capital's security, convertibility, and transfer possibilities, as well as liberation from the tax restrictions that they could have in their countries of origin.

These laws, by their nature, are stable and permanent in the medium and long term. They establish, with the required precision, the rules of the game for private initiative's risk ability and creativity to be able to expand without any type of uncertainty.

The Structural Reform of the Economy:

Based on the current legal framework, my government is conducting a program of profound transformations of the country's economic structures. Within the next two years, this program will be supported with $320 million from the IDB, the IMF, the World Bank, and friendly countries to implement four basic points:

1. The maintenance of a framework of macroeconomic stability that will guarantee price freedom, low inflation, growing deficit [as heard], and an optimum level of reserves.

2. The support of the Central Bank's credit-bidding mechanism with a multisectorial line in order to reduce interest rates and activate the credit system.

3. A reform of the financial sector that will extract the government from financial brokerage and will include a new banking bill that will be submitted to the legislative branch and will promote the development of the capital market.

4. The reform of the public enterprises and the improvement of the framework in which private investments develop. This includes an active promotion of joint ventures in the areas of mining and hydrocarbons, the signing of performance contracts [contratos de redimiento] with various public enterprises, the transfer of various public enterprises to private sector agents, the adaptation of registers and controls for industry and commerce, the development of master plans for combined means of transportation, and mechanisms to support small- and medium-sized enterprises.

The Government System of Financial Administration and Control, Safco:

Within the same line of action, but this time strictly within the role to be played by the state, the Safco Law is designed to guarantee the state's specific and efficient action through a modern government System of Financial Administration and Control [Sistema de Administracion Financiera y Control Gubernamental].

Although the Bolivian people are beginning to realize the importance of this law, they will only fully understand its historical importance when its implementation in the whole public sector is generalized. The implementation of this law allows the observation of a clean and open public administration clearly demonstrating how it obtains resources and how it spends them. The law also allows us to immediately verify the state of accounting of all the nonfinancial public companies and the exact daily flow of the income and expenses of the national treasury.

The Reform in the Sole National Registry [Registro Unico Nacional—RUN]:

Incredible as it may seem, we must accept the fact that half of the Bolivian people do not have an identification card. With the RUN, each of our fellow countrymen will obtain it in the next three years. This RUN will allow us take a gigantic step toward modernization and an improved democracy because at last, after nearly half a century, there will be conditions for the full validity of the universal vote. We also are eliminating one of the most damaging mechanisms of social discrimination to which many Bolivians are submitted to for the sole reason of not having identification documents. [applause]

The Reform of the Election System:

The important RUN reform we just described goes together with the electoral law we recently promulgated. The implementation of these two laws will bring the Bolivian people great spiritual tranquility because they know that for the first time their vote will be respected and treated with total honesty. [applause] In consequence, this will strengthen the roots of the democratic system. The electoral courts nowadays are made up of respectable citizens because they are unanimously approved by the national Congress. The vote tally will be carried out, announced, and respected in each election on the spot. The political space of the minorities is guaranteed, and the fellow countrymen who reside abroad will at last be able to participate in the national election processes. [applause]

The Reform in the Indian Peoples and Environmental Policy:

The treatment of environmental management and the administration of natural resources is a priority in this administration. The preservation of our current resources and the development of a society we want for the future depend on the appropriate management of this policy. The Indian problems and the active role of nature in the development process had been forgotten and, curiously, they currently appear as new. We must remember that our identity as a Bolivian people is still in a formative process, and we must likewise not forget our Indian origin. Within this framework, I have sent Congress the draft bills on the environment and Indian peoples. The confederation of private businessmen recently has sent me commentaries and suggestions on these draft bills, which will also be sent to Congress for its examination. I would like to remind you that at the Guadalajara Summit, I proposed to the Ibero- American community the creation of a fund for the Indian people.

The warm welcome given to this initiative allows us to optimistically expect that it will be promptly implemented.

The Reform of the Administration:

All national institutions are reflecting and exchanging views on decentralization. Bearing in mind that we fully share their interest in the subject, we have submitted to Congress a bill on departmental governments seeking to begin this process, which we regard as absolutely necessary and irreversible.

I am convinced that the bill will be granted the attention that it deserves. The time for decentralization has arrived. Decentralization is an imperative for the modernization of our country; it will consolidate and improve our democracy; it is an efficient instrument for achieving a balance in the development of the regions; and it can substantially improve the exploitation and control of resources.

We should never forget, however, that Bolivia comprises various peoples and regions that are converging into a single nation. Thus, we must address the challenge of decentralization with a clear desire to seek agreements, and must develop it simultaneously with the process of physical, economic, cultural, social, and political integration of the Bolivian people.

I would like to reiterate what I have said many times during the electoral campaign: decentralization should strengthen national unity and integration. Decentralization should counteract the current centralism, which tends to divide us.

Bolivia is therefore starting down a new path that calls for prudent, responsible behavior. This is a process that applies to the Bolivia of today. It should be implemented on the basis of a sound national consensus, with an all-encompassing, far-reaching vision of the reforms that will have to be introduced into the institutional structure of the state.

It should be clearly understood that this process calls for close, permanent cooperation between the central government and the regions. The process should be implemented in a gradual manner. Yet, this gradual approach should not be used as an excuse for failing to resolutely implement the decentralization project. [applause]

As for the reform and modernization of the judicial branch, I would like to say that the decision by the three branches of government to create the National Council of Reform and Modernization of the Judicial System is an unquestionable sign of the progress made by our democracy.

What initially seemed to be a source of conflict between the branches of government and institutional confrontation, ended exactly where it should have begun; with the decision to modernize and moralize the administration of justice, to attach appropriate significance to the role of the judicial branch and its relations with the other branches, to preserve the duties and rights of Bolivians, and to guarantee investment and productive work in our priority target of achieving economic growth.

In this case, we were careful to allow pluralistic views on such an important subject. Political parties are represented in the council through their representatives in Congress, just as they participate in the designation of electoral court members and in the executive board of the RUN.

In all these cases, the executive branch chose prominent people as its representatives.

As for the constitutional reform, the country has become aware of the need to amend the Constitution. Its adjustment to the new national and international situation should be the crowning point of the structural transformation of the Bolivian state.

Consequently, as in the case of the judicial reform council, I invited a team of prominent jurists—among them the two former constitutional presidents—to create a commission. I am now officially announcing the creation of this commission.

Its main task will be to identify the subjects of the reform and to suggest procedural alternatives for its implementation. Throughout history, different forces that considered themselves hegemonic tried to impose their definite seal on the state administration. Our task, dear fellow countrymen, is different. By all available means, we must resist this sectarian temptation. It is our duty to build a constitutional home for all Bolivians no matter their ideology, race, religion, economic situation, or political leaning. We must build a widely pluralistic constitutional home.

The Struggle Against Corruption:

Aware of the extent of corruption and of its sociological, political, and economic roots, it is our firm intent to reduce the extent of this phenomenon. This is why we have reduced to a minimum the principal form of corruption in political organization through the proposal and approval of a new electoral law that restricts to the minimum any possibility of corruption and fraud in the electoral system. [applause]

We have brought transparency to state financial accounting and have clearly established the responsibility of public officials through the Safco law. We have respected and allowed the expansion of all forms of democratic expression in the media which has turned into one of the main instruments of control by public opinion on the actions of the governors. We never hesitated, when we began a deep cleaning up process within the national police. We have implemented a state purchasing system for state supplies which is administered by international organizations and foreign agencies which has saved Bolivia a lot of money which in the past was simply used to pay bribes.

We have sponsored a clear joint action within the three government branches by installing in the Government House an acceptable and pluralistic commission of politicians and personalities to reform and modernize the judicial branch. I have asked the national prosecutor and the national comptroller to guarantee strict respect for the law by punishing all forms of administrative corruption. I have authorized the implementation of a recent decision made by the national comptroller. We have ordered the auctioning of YPFB [Bolivian Government Oil Deposits] gas stations, not just to benefit our war veterans but to get rid of a system of corruption that was used to buy political favors and to employ relatives. [applause] These actions demonstrate the position of a president of a government that does not have anything to hide.

As for the Armed Forces, I must say that we really feel proud of their behavior, for their respect for the Constitution, and for firmly supporting the democratic option of the Bolivian people. [applause] In spite of their budget restrictions, they maintain their institutional characteristic and their mystique. As captain general of the Armed Forces, I have sent them a directive that contains initiatives and aspirations of modernization in keeping with the current national needs.

The national police are improving the services they render to the nation, demonstrating self-control worthy of praise, seeking to strengthen their institutional character, clean up their ranks, and definitively become scientific and technical police. [applause]

Ending this report on the structural reforms of state and society, we should now recognize the important role of Congress in the discussion and approval of the laws on state reform and modernization. Without the support of Congress, we would have not reached this point, nor would we be so confident of the text of the new laws you have in your hands. [applause]

The International Role of Bolivia. The Direct Diplomacy Practiced Between August 1990 and August 1991:

A risky trend toward isolation and mistrust is commonplace in Bolivian history. It is, of course, the result of injurious experiences, which can increase the risk of becoming isolated from beneficial relations that the country simply cannot do without.

A necessary condition for Bolivian development is its adequate insertion into the international system. This need derives from the reduced capacity of our national market, our low level of internal savings, and the distance between our products and the main centers of word commerce.

The country requires foreign financing under adequate conditions. It needs access to foreign markets and technology. Foreign investments facilitate the sale of our products in the world markets and increases employment opportunities for Bolivians. This is the real meaning of my direct participation in national diplomacy. I am convinced that working abroad is the best way to bring progress to my fellow countryman. [applause].

Bolivian Presence and Importance in the Continent; its Projection to the Pacific Ocean:

Bolivia's economic, social, and political projection toward the Pacific Ocean is as natural and necessary as the existence of the Republic. This is why the loss of our sea coast can never be accepted by our people or government. [applause].

The outlet to the sea is a permanent and unyielding goal of my government's foreign policy. We have said this explicitly and repeatedly at the United Nations and at the OAS. Continental solidarity has been expressed through 11 consecutive resolutions in these forums.

Political and diplomatic efforts must be complemented by the presence of Bolivia in the Pacific region. Much more so if we consider the comparative economic advantages of the Bolivian Altiplano, a vast region in the Latin American Pacific zone of influence. This is why we have increased our efforts to build the Patacamaya-Tambo Quemado highway. The sale of natural gas to Chile and the improvement of the two countries' trade relations legal framework within ALADI [Latin American Integration Association]—where the two countries have participated since the 1960's—are also within this framework. These efforts will also tend to level the trade balance which is currently unfavorable to our country by a ratio of 4 to 1.

Bolivia and Peru are not just brotherly nations through our culture and race, but because we are also partners in the Andean group of nations. This is an important market for our agricultural exports. The potential for mutual improvement following the integration of our economies and societies is great, and this is why we are studying building the La Paz-Desaguadero-(Mazo Fuscilo) road. We are very pleased to have received the concession for a free trade zone in the port of Ilo. These topics will be discussed with President Alberto Fujimori at a future meeting in Puerto Maldonado.

Our Projection Toward the Atlantic Ocean:

Bolivia was born with an anchor in the Pacific Ocean, but it always looked toward the Atlantic. Bolivia maintains close links with the River Plate basin and the Amazon basin. The many and very cordial meetings with Argentine President Carlos Saul Menem have resulted in trade increase between our nations. We have reduced our mutual debt, Argentina has guaranteed timely payments for natural gas purchases, we have cleared the path for future energy cooperation, and we have launched numerous projects of physical integration. Argentina is enthusiastically helping to create conditions for Bolivia's participation in the Mercosur [Common Market of the South]. However, it is the energy integration project—which will require almost 150 percent of Bolivia's current annual public investment level—which will create economic and trade links that will multiply the level of bilateral relations, particularly in agriculture and mine development. These projects will require great physical integration. An example is this is the Paraguay-River Plate waterway.

President Fernando Collor and I studied this when I visited Brazil, and we will review it again during President Collor's upcoming visit to La Paz.

Relations With Paraguay:

During the second semester of this year, the fourth meeting of the Mixed Coordinating Commission will discuss the waterway and our bilateral trade with Paraguay. Within this framework, we have to discuss the sale of 288,000 tonnes of Bolivian iron to that country.

Luis Alberto Lacalle, the President of the Oriental Republic of Uruguay is here, participating in this solemn ceremony. Uruguay is a country with which Bolivia maintains traditional brotherly political and diplomatic relations. We now need to translate them into improvements in our shared economic interests. The waterway will probably be the start of a closer and rich exchange. President Lacalle's visit is like that of a pioneer. [applause] h3
Relations With Other Latin American Countries:

During the visit of Mexican President Carlos Salinas de Gortari to Bolivia in October 1990, the Bolivian-Mexican cooperation system was considerably strengthened. Within this context, we must emphasize the opening of a $40-million credit line to promote exports of national products to the Mexican market. These products are manufactured by Bolivian-Mexican joint ventures.

Our relations with the United States of America have strategic significance for our country. The United States is not only the leading world power and one of the main markets for Bolivian products, it is also the main source for financial and technical support needed by Bolivia to promote its development both on the bilateral and multilateral levels. We also share similar long-term views on democracy, the market economy, and the antidrug fight.

These similar views were extraordinarily strengthened during my meetings with President George Bush in New York in October 1989, in Cartagena and Washington in

February and May 1990, and through the epistolary and personal exchange that I maintain with the chief executive of the United States.

During the past three years, the economic and social cooperation between Bolivia and the United States has been reflected through agreements that total $300 million—not to mention the assistance for the [coca] replacement and interdiction projects. Financial cooperation, totalling $132 million in grants-in-aid, is foreseen for 1991.

Our Relations With Europe and Asia:

The financial and technical assistance that Bolivia receives from European countries and from the EEC, which this year appointed an ambassador to Bolivia and who is now present today, includes financial contributions and food donations that total more than $200 million per year. These were granted under concessionary terms or in grants-in-aid.

This cooperation has been primarily earmarked for the agro-industrial, irrigation, physical infrastructure, and social sectors. I must also point out that we have also achieved important agreements to support the structural adjustment program and the balance of payments as well as to jointly finance social investment projects.

The valuable cooperation by Japan, largely expressed in grants-in-aid, virtually covers all basic sectors for national development and reflects the importance it assigns to Bolivia within its policy of cooperation with Latin America.

Our Integration Policy:

The Bolivian international policy for Latin America continues to favor Bolivia's participation in the various regional and subregional integration systems.

Bolivia's role as a connection center for the various groups of continental integration, including the Andean Group, Mercosur, and others, is inseparable from its own national destiny. It is a key feature of our geographic and political vocation. [applause]

With respect to Bolivia's participation in this field, the past 12 months have been very successful. This is demonstrated by the important guidelines approved by the 4th Andean Presidential Council that was held in La Paz, and the important step of joining the permanent mechanism of regional consultation and political agreement called the Rio Group.

The Border Situation:

After many years of neglect, we have responsibly assumed our unavoidable duty involving technical work and tasks that will permit us to definitely consolidate nearly 7,000 km of Bolivian territory from the five South American states that surround us. We have established special budgets for this purpose.

The government began particularly intense activities in the border areas during 1991. This began with the 18th meeting of the Bolivian-Chilean Border Commission, whose work had been considerably delayed. The meetings by this commission will settle—without harming national interest—disagreements like the one that occurred recently.

As for foreign financing, during the past 12 months agreements for $609 million were signed with governments and with multilateral agencies. This figure surpasses the $534 million achieved through the agreements signed during the first year of our administration.

Contributions from multilateral institutions represent more than 50 percent of those funds, while contributions from bilateral sources—which are becoming increasingly numerous—have doubled, nearing $300 million.

Even though these figures speak for themselves, it is good to recall that there has also been a qualitative change in the composition and in the use of foreign funds. The era of big projects of dubious benefit—which are still burdening our foreign debt—is over.

In general terms, credit conditions have become increasingly adjusted to our country's capacity of indebtedness and repayment.

As for the foreign debt, Bolivia has reduced its debt with Argentina and Brazil by $1.070 billion. Bolivia has met all the requirements for benefiting from the America's Initiative, which was proposed by U.S. President Bush. Negotiations are underway for a considerable reduction of the debt owed to the United States. This debt now stands at $450 million.

It is also important to note that there has been a change in the structure of the Bolivian foreign debt between 1970 and 1990. During that period the debt owed to commercial banks, which is a high-cost debt, dropped from 43 to 7 percent, while the debt owed to multilateral organizations grew from 6 to 46 percent.

This change is greatly beneficial for the country, because credit conditions of the multilateral financial system are far more advantageous than those of private banks.

Power Integration Policy:

Natural gas is one of Bolivia's main resources. It is a vital instrument because of its sales abroad, as proven by exports of gas-generated electric power to Brazil, the sale of gas to northern Chile, and the continued exportation of gas to Argentina.

Between August 1989 and July 1991, technical studies for the construction and operation of the gas pipeline between Santa Cruz and Puerto Suarez, and for the construction of a thermal power plant in Puerto Suarez, were completed.

Conditions were agreed for guaranteeing the payments by Brazil. A call for bids was implemented for the construction of the gas pipeline and for the thermal plant.

Without precluding normal negotiations for obtaining funds from international organizations, the idea that the private sector could build the gas pipeline is being considered in view of the possible reduction of costs.

In June 1991, the energy ministers of Chile and Bolivia signed a document of understanding that reiterated the objective of making it feasible for Bolivia to sell 140 million cubic feet of gas per day to Chile through a gas pipeline. It is estimated that the cost of this pipeline will be $500 million. After studying its economic feasibility, the gas pipeline will be built by private enterprises.

On 13 December 1989, the Argentine and Bolivian Governments decided to continue with the exportation of Bolivian natural gas beyond May 1992. Negotiations will begin in Santa Cruz in August to establish the procedures and future prices.

Our objective is obviously to preserve the interests of both countries, whose political will to promote their ties has already been expressed on many occasions.

This is the spirit of the presidential declaration signed in June 1991 in La Paz.

As for the river waterway, the first international policy decision of my administration on 6 August 1989 was to implement the Paraguay-Parana River waterway project connecting Brazil, Paraguay, Uruguay, Argentina, and Bolivia. It is one of the most ambitious physical integration projects in Latin America. President Lacalle's visit stresses the importance that the countries of region give to the fast conclusion of these works. [applause]

The antidrug trafficking struggle in Bolivia is our responsibility, it is of national interest, and it is conducted by Bolivians. Its success must be judged by its results. The country has made considerable contributions in the antinarcotics struggle. The alternative development doctrine has now become an international doctrine. Seeking to prepare our institutions for this responsibility, we have ordered, within the framework of operations, a more efficient implementation of the national antidrug trafficking strategy. The progress attained by the alternative development program can be seen through the reduction of 20 percent of the total cultivated coca area, the successful interdiction policy and, especially, the considerable increase in the legal economy in all fields of agriculture, mining, industry, and civil construction.

The alternative development project, which is currently under way, amounts to $136 million distributed in eight projects in the La Paz and Cochabamba Departments. Last 5 July a new agreement was signed with the United States for a project worth $120 million over the next five years. The German Government has formally promised $20 million for El Chapare region and a micro-regional project in Santa Cruz Department. All these projects seek agricultural diversification, social community development, health, basic rural infrastructure services, milk production, and agricultural industrialization. As result of a report we presented in Brussels in November 1990, the European Community has in principle agreed to provide a credit of nearly $30 million for the national Quinoa Program—the national silk—and for micro-irrigation projects.

The national effort against drug trafficking has been ceaseless and successful. Between August 1989 and July 1991 more than 25 metric tons of cocaine hydrochloride were burnt and large amounts of chemical components were confiscated, preventing the production of 146 tons of cocaine hydrochloride. Thus far, this year 485 laboratories have been destroyed. Also in the area of interdiction, the government took action to remove the possibility of the country facing waves of violence similar to those that have hit other Latin American countries and to prevent Bolivia from entering the stage of large scale processing and marketing. Thus, the government approved a decree granting a 120-day deadline for drug traffickers to turn themselves in to the Bolivian courts with the assurance that they will not be extradited. This is a strategy of peace for a peaceful country that seeks to strengthen Bolivian democracy and justice. [applause]

I would like to point out that our relations with the Vatican, and especially with the Bolivian Catholic Church, are excellent. The state and the church cooperate to provide various services for the Bolivian people.

Area of Development and Social Investment:

We have developed our policies in cooperation with teachers and have created the necessary climate of consensus to normalize school activities. We have also developed a program of infrastructure investments. As a part of this program, we have already built 10 schools. The social investment fund is cooperating in different education projects in nine departments in the country. Thanks to international assistance programs we have improved the cultural infrastructure of Potosi, (Iguanacu), and the Jesuit Missions in the Eastern part of the country. A similar situation exists in the infrastructure of the Bolivian Culture Institute and in a significant number of museums and buildings in the country. Also, the literacy plan is being supported by the UN Development Program.

Health Programs:

Launching the National Mothers and Children Plan, we promised to prioritize primary health care and significantly reduce deaths among so many Bolivian children through diarrhea, acute respiratory diseases, and diseases that can be prevented through vaccination. We are conscious of the fragile nature of our sanitary system. We have implemented a new system to increase health services and to take full advantage of the service network at the district, urban, and rural level. We have also

established a national decentralized health system for the benefit of the communities.

We are advancing with our programs of vaccination against preventable and transmissible diseases, and in the plan to train midwives in order to substantially reduce mother's mortality rate. The Ministries of Health and Education have launched a project called Woman, Education, and Life, to include teachers from 600 rural school centers in a program to train 120,000 peasant women.

The Defense Ministry is helping the health sector through the Armed Forces with a program to train instructors who will teach 40,000 conscripts and create cadres of health promoters. An integrated health program, financed by the World Bank, is underway. USAID, the Netherlands, and the Bolivian Government have allotted $38.6 million to remodel, enlarge, or construct 167 health centers in La Paz, El Alto, Cochabamba, and Santa Cruz, to benefit 2.5 million Bolivians. The IDB [Inter-American Development Bank] and the Bolivian Government are financing a project of basic health services with a budget of $44 million. This project will remodel, build, or equip 109 health centers of diverse complexity in Cobija, Trinida, Oruro, Potosi, Chuquisaca, and Tarija. [applause].

The IDB has supported us in building the first part of the Pediatric Clinic at the Garita de Lima Health Center, in La Paz. The facility will serve 300,000 people.

Spain has financed the remodeling and enlarging of the 20 October Hospital in El Alto, and the maternity ward of the Daniel Bracamonte Hospital in Potosi.

Thanks to Japanese Government aid we were able to conclude the Cobija Hospital with 40 beds. We are now working to equip it.

United Nations cooperation has allowed us to build the (Divirgarsama) Hospital in Chapare. Italian financial cooperation of $6 million to build a network of services in the Bragamonte Hospital in Potosi has been confirmed. Thanks to Belgian Government cooperation, we have finished the construction of the Tuberculosis Bacteriological Laboratory in Oruro. The Defense Ministry has inaugurated the first stage of La Paz's Military Hospital with 120 beds. Spanish cooperation will make it possible to conclude this hospital and similar military hospitals in Santa Cruz, Trinidad, and Cochabamba.

A project for making basic medicines accessible to the poorest sectors is underway. It is being financed by the Netherlands, UNICEF, the Panamerican Health Organization, and our own resources. I must also say that the cholera prevention campaign carried out by Bolivia has been completely successful because all the health services were quickly reinforced. The public hygiene system has been improved and an a system of epidemiologic surveillance and sanitary control has been implemented with the help of several institutions through the National Intersectorial Committee and the regional committees struggling against cholera. [applause]

Let us now acknowledge the technical quality of our health services and experts, and congratulate the positive participation and response of the people to the Health Ministry's instructions. By adding their own initiatives, our people contributed to the prevention of cholera. I would say that, thanks to God and the efforts of the Bolivian people, neither cholera nor violence have settled in our national territory.

My government has also attended to the housing needs of the poor. This is why we prepared and implemented a national housing program for low income sectors. The program has been allotted $20 million for the construction and improvement of low-income houses that cost under $2,000, and it even benefits those who cannot pay anything.

However, this program has the serious drawback of being totally financed by the National Treasury with all its associated limits. Although the National Housing Fund, Fonvi, has built more houses in the past two years than in several other presidential terms, this effort is not enough. The main challenge faced by the low-income housing programs is the lack of local and international financing. This is why the efforts of my administration will be directed toward guaranteeing the necessary funds for this purpose. [applause]

My dear fellow countrymen, the crude reality is—and I call upon the joint action of all Bolivians—that there is no cheap financing for the large-scale construction of houses, and consequently, we must face the challenge of generating funds from internal and external savings, turning them into long-term investments so that they can benefit those who most need housing. We have begun a new project called Plots with Infrastructure, which will reverse the national trend of first building houses and then providing basic infrastructure. This program will soon be negotiated thanks to the direct contact I established with IDB President Enrique Iglesias during my recent trip to Guadalajara, Mexico. [applause]

As for work and labor development, I want to assure all Bolivian workers that they are the heart of our national construction for economic growth and social development. This is why we cannot imagine growth and rational development without their participation. I thus want to praise the work carried out by the Labor Ministry in direct contact with the labor organizations, saving the country from many conflicts through agreements and understandings for the benefit of all the Bolivian people. [applause]

There are several achievements in this sector. We should first notice that the minimum salary, which was frozen by previous administrations, was doubled in 1991. This significant increase will benefit not only active workers, but also some 70,000 retired workers and pensioners whose income is estimated on the basis of the minimum salary. Family allowances and other benefits also are calculated on the basis of the minimum salary.

All problems in the labor sector were solved through dialogue and agreement, thus radically reducing the number of conflicts that paralyzed production.

Policies have been implemented to favor the informal sector. In 1991, 1.1 million Bolivian pesos were earmarked for the improvement, expansion, and maintenance of union headquarters, and for sports and cultural facilities, courses for labor leaders, the preservation of union rights, and the protection of female workers.

Our devotion to the social sector is not new. The institutions linked with social sectors have engaged in actions that justify such devotion.

I would like to mention some supplemental institutional efforts. The Social Investment Fund [FIS] has been created to channel resources toward sectors of extreme poverty. It has implemented basic projects in primary education, health, and sanitation in rural and suburban areas, with the criteria of equality, appropriate time, and efficiency. This approach guarantees the continuity of the projects.

FIS funds are invested only in projects for which the respective ministries already have allocated the necessary resources. The FIS has thus far collected $70 million for investment in the social sector.

FIS operates as a decentralized agency that coordinates its activities with the Ministries of Planning, Education, and Health, and with the funds that operate in the country.

During the first six months of operation, the FIS approved 11 projects that benefit more than 500,000 people, more than 50 percent of whom belong to sectors living in extreme poverty.

Between August 1990 and March 1991, the Emergency Social Fund—the predecessor of FIS—fed some 80,000 people on a daily basis, gave technical courses to (?66,000) students, and distributed 2 million doses of vaccines and 54,000 school desks.

The Emergency Social Fund dedicated 2,000 houses, 400 km of sewage network lines, 178 km of drinking water pipelines, 123 improved and expanded schools and 144 health centers. [applause]

In rural areas, maintenance work was performed on the equivalent of 2,000 km of roads and 52 bridges. In urban areas, 140 km of streets were paved with asphalt, cement, or stone pavement.

The National Regional Development Fund this year began to operate through Prodursa [Programa de desarrollo urbano y saneamiento basico], the program of urban development and basic sanitation. The fund has provided resources for more than 50 projects in various Bolivian towns, for a total of $60 million.

Those projects will be implemented by town halls and development corporations, with the fund operating as financing agent thanks to a loan granted by the Inter-American Development Bank. The fund is also managing loans from the World Bank and from Germany for improving the drinking water and sewage networks of La Paz, El Alto, Cochabamba, and Santa Cruz, projects that will be implemented by municipal enterprises and cooperatives.

If the fund manages to invest 50 percent of its allocations during the first stage of its work through Prodursa, there will be possibilities for the approval of a new program for approximately $100 million for the other departments, where Prodursa has not yet been able to operate.

The National Board of Solidarity and Social Development:

The priority attached to the social sector also was observed for the services rendered by the National Board of Solidarity and Social Development of the Presidency, which also made a great effort to improve its technical and professional level and personnel qualifications. It is a praiseworthy effort oriented at efficiently training youths and women all over the country.

Health, nutrition, clothing, housing, for 5,300 education, and training requirements for 5,300 minors from 109 establishments all over the country have been met. The 160 soup kitchens run by the board have served 16,000 people, and the medical posts received 29,000 patients this year.

Decisive steps have been taken to obtain international aid, and the work of religious institutions, international organizations, communities, nongovernment organizations, and other social entities has been coordinated on the basis of shared responsibility for the tasks at hand.

We are fully aware that half of Bolivia's population is female, that they too work, produce, and share Bolivia's dreams and shortcomings. How little the Republic has done to correct the differences between men and women in the quest for social, economic, and cultural equality. Discrimination against women continues to burden our democracy and hinder our development. As long as this discrimination against half the country, against the women who want a new, honorable role in our society, persists, there will be no firm social democracy because the success of any social strategy depends on the women in whose hands is the health and education of all Bolivians. [applause]

Thus, we must secure for women their rightful place through projects and programs that will ensure them equal opportunities, training, and respect.

The efforts focused on children, not limited by the plans for child survival and development and mothers' health and other actions in this area. They include the ratification of the declaration of the presidential summit sponsored by UNICEF in December 1990, aimed at implementing in our countries specific action plans involving nationwide mobilization and priority budget allocations for the benefit of children.

In order to fulfill this commitment, the government is coordinating efforts at all state and society levels in a national plan of action epitomized by the slogan: The children come first. [applause]

We believe that sports have ceased to be just games and have become one of our main concerns. We have began by laying the legal groundwork to fill a vacuum of many years because Bolivia does not have a law capable of protecting the nation's sports people. Thus, we are submitting to the honorable Congress the draft bill on national sports and recreation. We have fully confirmed the country's commitment to organize the Bolivarian Games in 1993 in Cochabamba and Santa Cruz. For these games we plan to build facilities worth 14 million Bolivian pesos. Work on these facilities will begin next week.

We are prepared to do even more to encourage sports because we believe that they are a key component in the development of Bolivian men and women. I would like to remind you all of the car drivers who are today competing for the first time in our history in the Great National Tarija-Cobija Race, proving that sports can unite the nation and making use of the roads that we have built in our effort to link the various parts of the country. To all of them who are competing in this race, thank you very much. [applause]

In the realm and awareness of social development, our concern and awareness over the standards of living of the poorest strata of our population is not recent. It is rooted in our deepest convictions and the motives that have led us to join the political struggle.

In the past, the so-called social affairs were the subject of ethical discussions, philanthropical actions, or simple solidarity. Things have changed, however. Nowadays, development and productivity are linked directly to the level of training of men and women who compete in the job market. Simply put, it means that better-trained human resources increase the chances for a competitive and efficient economy.

Countries that are unable to resolve domestic poverty cannot aspire to overcome the limitations posed by their international insignificance.

The magnitude of our challenge is measured by Bolivia's very high poverty level cause by accumulated backwardness, which has been repeatedly discussed so there is no need to go into it any further.

The state must play a key role in this struggle against poverty, defining both strategies and priorities and allocating the funds necessary to carry out the necessary actions. The interest of all international organizations is focused on this subject.

This is the right time to fight this battle because political stability has been achieved, and the coherence and decisiveness of the economic policy that we have been carrying out has been duly proven.

Fellow countrymen, we are not criticizing anyone. We are simply stating facts: The social policy implemented so far has been insufficient and merely welfare-like. Never before has an administration spent so much on social development. It is also true, however, that we must incorporate these investments into an overall strategy capable of defining objectives and coordinating the work of the various public and social institutions involved in order to make effective use of the human and material resources available. What we need is an overall social policy and clearly stated objectives from those groups at whom the social policy is aimed.

A quick look will suffice to show that groups with radically different levels of human development coexist throughout the national territory. There are Bolivians with assets and high income whose health and education standards are comparable to those abroad. There is a middle class and city dwellers who have access to basic services and relatively reasonable, if obsolete, health and education standards, and then we have the immense majority of neglected groups who live in the poverty belts around large cities, barely able to provide for their basic food requirements, plagued by a high mortality rate, and lacking basic services. There are also the forgotten Bolivians...[applause] There are also the forgotten Bolivians, isolated from the rest of the country, subsisting in distant rural areas with archaic means of production. Those Bolivians have no health or education. Poverty-stricken and forgotten Bolivians and the areas where they live should be the priority targets for the funds received through international cooperation and our own domestic savings. This is our priority: poverty-stricken and forgotten Bolivians.

There is, however, one basic condition that must be met: The scarce technical and human resources available in our country must be used wisely. The same selection criteria based on responsibility that have been used for the management of economic stability and growth must be applied to social development. Thus, it is obvious that the main objectives of this administration's social policy are: the eradication of absolute poverty; closing the schism between the various social strata that make up the Bolivian nation; training efficient human resources capable of speeding up the process of economic development; and carefully managing the resources allocated by the nation in the struggle against poverty.

These objectives require the following action priorities:

1. [As heard] To promote the use of manpower, a plentiful recourse of the poor. This will help resolve the lack of income and jobs in rural and poor urban areas. The improvement of rural infrastructure, irrigation programs, and the training of peasants are the main tools of the struggle against absolute poverty in rural areas. Street vendors should be given a chance to improve their income and get better jobs.

I would like to tell you unequivocally that the foremost objective of this administration's social policy is to

increase employment; to invest in cleaning up the environment, health, and education; to substantially improve the quality of human resources required by the productive process and to take full advantage of the development opportunities the country has; and to take care of the most burning requirements of the vulnerable social strata that has few means to be part of the nation's economic mainstream, like children and old people.

Once it establishes the objectives and the geographical areas for action, the social strategy may broaden its scope and seek the active participation of the social agents involved in the definition of their problems and the implementation and oversight of the programs.

Just as I did two years ago when I took over as president of the nation, I reaffirm that I propose to govern for the good of all Bolivians, although my attention is focused on the poorest of them for the reasons that I have outlined throughout this speech. [applause]

[Passage indistinct, station off the air] ...The program to obtain funds in the next few years to finance the national social development program and make sure that the priority goals in this area are met.

In my capacity as president of all Bolivians, I want to announce that the following specific programs will be implemented:

An educational reform is necessary to train the nation's human resources. In view of the complexity of the crisis of Bolivia's education and the fact that it requires everyone's efforts over a long time, I will call upon the most capable and representative citizens to join the National Commission for Educational Reform. This commission...[applause] Because of the nature of its task, this commission will have to be appointed by consensus. Since the task it will have to carry out will take longer than any administration's term in office, the commission's continuity must be guaranteed. This commission will have the job of submitting for the country's consideration an educational reform plan and the procedure to implement it.

Because of its magnitude, the challenge of Bolivia's educational reform cannot be left in the hands of a single person, a single group, or a single administration because for it to be successful all Bolivians, without any exceptions, must assume responsibility for it.

The second specific program will be to resolve the problem of the lack of water, because in our country this issue is one of the keys to any social development policy since the availability of water is directly tied to health, education, standards of living, and the preservation of the environment. This task is especially urgent if we take into account that statistics show that only one out of every three Bolivians is served by some kind of water-supply system and only one out of every four has some means of feces disposal.

Thus, we have decided to implement a program called Water for All, which will build on what already has been done in this direction by carrying out the many scheduled projects in the next two years. We will try to avoid dispersing efforts and funds by rationally coordinating all contributions from both private and state institutions that are working on this issue.

Fellow countrymen, according to the Constitution this is a government report, but in fact your president is outlining the efforts of the people as a whole. It is more a report of what the people have done than of what the administration has done. It sums up the efforts of a people engaged in economic growth and social development.

As I have said earlier, however, we have not come here to call history to account but rather to reconcile ourselves with it. We have come here to admit our responsibility for the mistakes made because to accept a mistake is a way of discovering the truth, the first step toward correcting the mistake.

Whenever we have made mistakes during these two years, we have done our best to correct them, humbly but decisively, and we plan to continue in this vein. We ask all Bolivians not to hesitate in pointing out the shortcomings of this administration.

Finally, honorable congressmen and to sharefellow countrymen, allow me to share with you a personal conviction concerning a fact that I have been able to observe all these years. It will be difficult to find a place in the competitive world of the future. It is getting more and more difficult all the time to get ahead in a demanding and unfeeling environment.

Thus, we have no option left to us but to keep going. We must struggle more and more effectively all the time in the quest for the objectives that we have set for ourselves. We must continue to improve on what we have begun to build. Just as we have built on all the positive things inherited from previous administrations, the administrations that follow us must build on the good things we are doing today.

There is no more room left for improvisation; we can no longer cling to the approach that has so harmed the nation of trying to rebuild the country from scratch once again. We simply cannot begin all over again every four years.

I would like to convey my respect, my permanent friendship, and my deepest gratitude to my ministers and to all the men and women who honestly and efficiently cooperate with the president of the nation for the performance of the executive branch's sensitive duties.

Dear fellow countrymen, when I left my house this morning to attend the Independence Day ceremonies, I looked through the newspapers of 7 August 1990 to get an idea of what I could have changed during this year in office. A well-known, national-circulation morning daily had written that in his speech on 6 August 1990 the

president outlined economic growth and modernization of the state as one of his and the nation's objectives for this term in office.

I can tell you now that I was deeply moved by this article when I realized that even though there is still a lot to be done as far as economic growth and modernization of the state is concerned, a reasonable and keen analysis will have to conclude that within the limitations posed by the timeframe of only one year, the task has been accomplished. [applause]

I have the firm hope, will, and conviction that with the help of God and all Bolivians we will be able to say in next year's state of the nation address that the tasks that we have now set for ourselves and the country have been fulfilled.

Dear fellow countrymen, on this Independence Day I call upon all of you to join efforts for the building of the nation and I ask God, before its church and its bishops who are here today, to bless all Bolivians. Thank you. [applause]

Brazil

Quayle Conditions Investment To Agree With IMF

PY0808180591 Rio de Janeiro Rede Globo Television in Portuguese 1617 GMT 8 Aug 91

[Text] U.S. Vice President Dan Quayle has told Sao Paulo businessmen that Brazil could receive more U.S. investments. Early today Infrastructure Minister Joao Santana and a group of Brazilian entrepreneurs met with Quayle who said U.S. investment projects in Brazil are at a stand still. He emphasized that the U.S. Government believes Brazil can become the economic leader of Latin America in the middle term. Quayle also reiterated that U.S. investments will only be possible once intellectual property rights are guaranteed through a law on patents and after the Brazilian Government reaches an agreement with the IMF.

Despite this message, at the end of the meeting Infrastructure Minister Joao Santana said he was optimistic, particularly regarding investments in the area of telecommunications.

[Begin Santana recording] A country must have patent laws before any U.S. company is allowed to invest in that country. In the area of telecommunications, however, the technology is already available and we think there should not be too much trouble. [end recording]

Central Bank President Talks About Inflation

PY0908001791 Rio de Janeiro O GLOBO in Portuguese 4 Aug 91 p 58

["Exclusive" interview with Central Bank President Francisco Gros by Silvia Faria and Joao Borges; date and place not given]

[Excerpts] [O GLOBO] Why does the government believe that the release of the [frozen savings accounts containing] new cruzados will not put further pressure on prices that are already under an inflationary situation?

[Gros] I do not believe the estimates which state that inflation went from 9.7 percent to 13 percent in July because that is a very high jump. I also do not believe that inflation remains still. The truth is that a 10 percent inflation rate per month is not comfortable but it is reasonably stabilized. We have two reasons for believing that the release of the new cruzados will not increase consumption. First there is great stagnation in the economy, to the tune of about 30 percent of the productive capacity. In other words there is still a reasonable amount of room for increasing production without any strong pressure on prices. Second there is no great demand because the economy is still going through a difficult period. Employment and salary levels are still low. [passage omitted]

[O GLOBO] Within this current context, the monetary policy is extremely strategic, seeking to curb inflation mainly because the price policy seeks to free the market. Is there no risk of making the same mistakes as in the past when the same formula led to a profound recession without curbing inflation?

[Gros] Last year's monetary policy was quite erratic. We had a very tight situation followed by the liberation of substantial resources for emergency. [as published] The current policy is more stable, both in interest levels and in the behavior of monetary aggregates (money in circulation and financial investments). Additionally, at that time the Central Bank only had securities with a preestablished earnings. Now we have more adequate securities with earning established at the time of purchase. [passage omitted]

[O GLOBO] When does the government believe inflation will begin to drop?

[Gros] Structural reforms are necessary to reduce inflation. Inflation will not fall on its own. It was clearly shown last year that a brutal recession on its own is not enough to defeat inflation. The economy is not competitive for various reasons. It is not competitive because of the oligopolies. We have a closed oligopolitic structure with a very low level of competition, and that leads to inflation. [passage omitted]

[O GLOBO] What about public expenditure reforms.

[Gros] The Constitution implements several ties on the budget which makes it difficult for the government to manage expenditures: the government cannot reduce salaries, it cannot dismiss public servants, there is a perverse distribution of resources between the federal government, the states, and the municipalities..., in other words, the government had to abandon essential investments for the future of the country because it cannot manage its budget. This is becoming obvious not only in the federal government but also in the state governments. State governors are complaining about the restrictions on their ability to govern. In other words, they have become tax collectors and salary

payers. We either settle this situation from the overall point of view or it will be very difficult to find any monetary policy that can solve the Brazilian inflationary problem. [passage omitted]

[O GLOBO] If structural reforms are necessary to curb the inflation, could you explain the agreement reached with the IMF which always seeks a reduction in inflation?

[Gros] The traditional IMF position is to promote dramatic adjustments. Our position is very clear: we do not want intervention in the economy. An inflation rate of over 10 percent one month cannot miraculously drop in the following month. You have to view it in the long term.

[O GLOBO] Have ways to reduce inflation been discussed with the IMF?

[Gros] We have stressed the need to set up a long-term plan. Inflation will drop gradually. We do not want to discuss with the IMF, Congress, or society programs that involve traumatic interventions in the economy. Society is tired of magic solutions. We want temporary palliatives until the reforms are implemented. Society is not willing to face difficult matters like the need to end inflation.

[O GLOBO] Has the IMF suggested a shorter term than the 18 months proposed by the government?

[Gros] The IMF and the entire community—personnel in Japan with whom I talked—advocate six months followed by talks. We have expressed our firm decision: We will not discuss any type of short-term program. [passage omitted]

[O GLOBO] Will the government maintain its objective to deindex the economy, including lower salaries?

[Gros] We will continue to support deindexation. We have huge social needs, but the matter is to make compatible the revenues and the disbursements. If salaries are to be readjusted, the federal government has to know where to get the revenue to pay the increase.

[O GLOBO] Based on your statements we can conclude that Fajgenbaum (former head of the IMF mission) was right. He said that to solve the problem, the Constitution should be changed.

[Gros] The problem was not the content but the way in which he voiced an opinion on a matter that does not concern him. We Brazilians have the right to state that the Constitution should be changed. It is wrong for an IMF expert to make such an statement, if he really did so.

[O GLOBO] Has the incident been overcome? Will he return to Brazil on the next IMF mission?

[Gros] The incident has been completely solved. It is up to the IMF to decide if he will return to Brazil. I think that he is a skillful and respected expert. He could be included in another mission. I am not against it but I believe that experts should be cautious in their statements while on a mission. [passage omitted]

[O GLOBO] Is there any prospect that the debt conversion will be authorized?

[Gros] As long as we do not have a fiscal surplus, conversion will be used only for privatizations because only in these cases will the conversion have no monetary impact. We will have to seek programs for the conversion of the debt in the medium and short term but this must follow a fiscal surplus or a full recovery of the capacity to finance the government at a reasonable rate. Until I can obtain long-term resources and reasonable rates, the debt conversion will merely be like printing money. Changing the situation, a well-oriented conversion project will be welcome. I advocate the resumption of economic growth, but it will not be feasible until we harness the inflationary problem.

[O GLOBO] Will the rigid monetary policy be maintained?

[Gros] Yes, it will be extremely rigorous.

* GDP Drop in 1990 Less Than Preliminary Figures

91SM0414C Sao Paulo GAZETA MERCANTIL in Portuguese 11 Jul 91 p 3

[Article by Vera Saavedra Durao in Rio]

[Text] Brazil's real Gross Domestic Product (GDP) was slightly better in 1990: it fell only 4 percent and not 4.6 percent as the Brazilian Institute of Geography and Statistics originally estimated last year. The nominal value of Brazilian production of goods and services was 32.4 trillion cruzados. These figures were released yesterday by the Institute after consolidation of the national accounts by the Department of National Accounts (Decon). The per capita GDP also shrank by 5.9 percent in 1990.

Other numbers updated by Decon included the financial institutions' reduced share of GDP last year. From their 19.5 percent share in 1989, they shrank to 11.1 percent in 1990. The reason for this atypical movement since 1986 was last year's drop in inflation. The banks' gain during inflation is quite significant, as shown by the financial institutions' record share of GDP in 1989, the year of the Brazilian hyperinflation. The declining trend will remain firm this year, provided that prices do not fall in the second half of the year. In countries without inflation, the proportion is a maximum of five percent of GDP.

Other numbers from the 1990 consolidated accounts reveal, for example, that collection of direct taxes, usually around 11 percent in the 1980's, climbed to 13 percent in 1990. Indirect taxes contributed 12.3 percent of GDP.

Total real GDP in 1990 is 16.5 percent greater than in 1980, but on a per capita basis it is six percent lower. Compared to 1980, which is the base year for comparison of the consolidated accounts, agriculture and ranching grew by 28.21 percent, with agricultural production expanding 20.58 percent and ranching 37.85 percent.

The trend of real industrial output in the 1980's was quite weak, with growth of only 3.84 percent since 1980. Despite the fact that the mineral extraction sector grew 93.4 percent over 1980, the manufacturing sector, more affected by the recessions in the decade, fell by 1.24 percent. The construction industry collapsed: 6.89 percent reduction in its activities since 1980.

The services sector grew by 29.45 percent since 1980, pushed by communications with growth of 266.22 percent. Trade increased modestly with a 5.12 percent expansion during the decade, while transport grew by 33.17 percent, with the airline sector leading the way with 77.86 percent. Financial institutions grew by 28.23 percent since 1980, while public administration expanded by 23.64 percent and other services (which cover many unrecorded activities) grew during the period by 31.28 percent.

Investment

The investment rate, according to the consolidated accounts, closed out 1990 with a 16 percent share of GDP, the lowest level in the last ten years.

The declining trend has been maintained. In 1980 and even 1981, the country's investment rate was between 22 and 21 percent. That means that capital goods production, capital goods imports, and civil construction are declining, that is, no one is any longer investing in Brazil.

The 16 percent rate in 1990 is seen by analysts at the Federal University of Rio de Janeiro (UFRJ) as one of the lowest of all developing countries. For the first half of this year, however, nothing indicates that the situation has improved. Preliminary information from the Institute of Industrial Economics at the UFRJ indicates that gross capital formation, that is, fixed investment, should reach 15 percent of GDP.

* Conin Approves New Market Reserve Measure

91SM0414B Sao Paulo GAZETA MERCANTIL in Portuguese 11 Jul 91 p 1

[Article by Heloisa Magalhaes in Sao Paulo]

[Text] The National Data Processing and Automation Council (Conin) yesterday approved a measure to create a new and temporary market reserve. It permitted two joint ventures, the first ones in a sector that, until yesterday, had been open only to domestic industry. But it restricted entry to the sector of companies not producing data processing products. Imports were liberalized for finished products and external covers by manufacturers of computers and peripherals who have been in the business since 1989.

The joint venture between Sid Informatica and IBM Brasil was approved, creating the firm MCA Personal Systems, as was the venture between Elebra Computadores and Digital do Brasil, which will not result in a new company being created. Not approved was the partnership between Scopus Tecnologia (of Digilab, the information arm of Bradesco [Brazilian Discount Bank]) and NEC of Japan. In Conin's view, it lacked a strategy for exporting and technology transfer, according to reporter Liliana Lavoratti in Brasilia.

Conin voted on criteria to evaluate import requests by joint ventures. Foreign corporations have requested the Government's permission to bring in from countries of origin not only finished computers but also mounted external covers, which they consider necessary for production of the equipment to fulfill the original plans. For this process, import criteria were established that take into account average shipments or units of computer products produced by the domestic partner between 1989 and 1990.

Thus, firms not active in the sector cannot meet the criteria, and they would be prevented from creating companies or associating with foreigners to produce computers or peripherals until October of this year, when the Information Processing Law expires.

Without permission to import, they lose competitiveness, points out lawyer Georges Fisches, who raised the question at the meeting but whose vote was overridden.

* Informal Economy Flourishes in Sao Paulo

91SM0414A Sao Paulo GAZETA MERCANTIL in Portuguese 11 Jul 91 p 3

[Article by Rosangela Capozoli in Sao Paulo]

[Text] The recession and unemployment are strengthening the informal economy. An increasing number of people are erecting small pastry stands and hot-dog carts in the streets of Sao Paulo, seeking these alternative activities to maintain their incomes. As a result, the demand for equipment used by street vendors to sell food has grown significantly this year.

On Brigadeiro Tobias Street in the center of the Sao Paulo capital, where stores selling equipment and stands for flea markets, luncheonettes, restaurants, etc. are concentrated, storekeepers see a constantly growing demand in their sector. At the Principe das Balancas Ltda. store, after 26 years in business, Manager Decio Gomes is surprised at the recent growth. "When there is a recession the informal economy increases and our sector grows," says Gomes.

As an example the Principe, which as of the end of last year sold an average of 20 countertops per month to frozen chickens vendors, has since January sold an average of 60 units per month, a 200-percent increase. Gomes reports that his clients are mostly the unemployed, who have decided to set up business in their garage or the side of their yard. A counter costs an average of 300,000 cruzeiros.

In addition, sales of electronic scales are increasing. By Gomes' calculations, sales have climbed to ten units per week, while during the same period last year the Principe would go an entire month without selling a single one. The price for this type of scale varies between 270,000 and 600,000 cruzeiros. The demand for hot-dog carts is also growing. "In one month, we sold five carts," he stated, recalling that in 1990 it was difficult to sell any. That equipment costs around 150,000 cruzeiros. According to Gomes, sales grew by 15 percent in the first half of the year, compared to the same period last year.

At the Mercadao das Balancas, next door to the Principe, the persistent demand for pastry stands has led Proprietor Elmo Luiz Gonzaga to diversify his products. Twenty years ago the storekeeper concentrated his efforts on the repair and sale of scales. Over the last three months Gonzaga has given in and begun to sell stands. "I sell around 15 stands per month," he says. A stand with oven, countertop, and pastry froster costs 115,000 at the Mercadao.

Figures provided by the State Data System Foundation (SEADE) show a 27.9-percent increase in the number of workers who have chosen to go independent between May 1990 and May of this year. In the first five months of this year alone, the number increased by seven percent.

According to city council data, in 1989 there were 3,000 mobile vendors licensed in the city center alone. Since that year, the city council has not authorized licenses for new vendors in the city. There is thus no estimate of the number of people who might be carrying out that activity illegally.

The high rate of unemployment in Sao Paulo justifies the growth in the informal economy. Surveys carried out by the Interunion Department of Statistics and Socioeconomic Studies (DIEESE) indicate that as of the end of May there were 1,150,000 unemployed. Documentation, Statistics, Licensing and Industrial Information Department (DECAD) Director Horacio Lafer Piva of the Sao Paulo State Federation of Industries (FIESP) states that "the level of industrial unemployment in the state will end the year higher," even with the recovery in the last two months. He explains that over the last 12 months Sao Paulo industry has eliminated 174,000 jobs, 120,000 in the first six months. "It is impossible to make up for that loss," he says.

Leonardo Antonio Borelli, owner of the Mercado das Balancas Ltda., on Brigadeiro Tobias Street since 1972, states that sales in the food vending equipment sector have never been as strong as this year. "The desperation of being unemployed leads people to be vendors," he says, adding that demand in the sector doubled in 1991. In the Mercado das Balancas the strongest sales have been of lower-priced items. "Those without the money to acquire a complete stand content themselves with taking only a large skillet with an oven and the froster," Borelli says. The skillet and oven cost 18,000 cruzeiros and the froster is 3,000 at the Mercado das Balancas.

* IBGE: Unemployment Rate Stabilized in May

91SM0414E Sao Paulo O ESTADO DE SAO PAULO in Portuguese (Economic Section)5 Jul 91 p 3

[Text] Rio—The unemployment rate in May was 5.7 percent, according to a release yesterday by the Brazilian Institute of Geography and Statistics (IBGE). The rate is stable with respect to April (5.76 percent) and slightly higher than in May 1990 (5.27 percent).

In the metropolitan regions surveyed by the IBGE (Sao Paulo, Rio de Janeiro, Porto Alegre, Recife, Salvador, and Belo Horizonte), the Economically Active Population (PEA) is 18.237 million people, of whom 1.042 million are unemployed.

The highest unemployment rate was in Salvador, with 7.26 percent in May, but in April the rate was 6.06 percent and in May 1990 6.51 percent. Unemployment in Sao Paulo was 6.49 percent (in April it was 6.93 percent and in May 1990, 5.52 percent). The lowest unemployment rate was in Rio de Janeiro (4.54 percent), practically the same as the previous month (4.13 percent) and the same month in 1990 (4.41 percent).

According to the IBGE, the sector with the highest unemployment is manufacturing (7.19 percent), but the problem has grown the fastest in trade, which climbed from 5.09 percent in May 1990 to 6.91 percent in the same month of 1991. According to the IBGE, over the last year unemployment among women has increased from 5.2 percent to 5.84 percent and among men from 5.32 percent to 5.61 percent.

Between May 1990 and the same month in 1991, the number of employees without signed cards grew from 19.02 percent of the PEA to 21.22 percent, and workers with that labor protection fell from 56.7 percent to 52.97 percent. The proportion of the PEA who work for themselves grew during the same period from 18.73 percent to 20.44 percent.

* Impact of Loss of Technicians Discussed

91SM0414D Sao Paulo O ESTADO DE SAO PAULO in Portuguese 7 Jul 91 p 10

[Article by Roberto Godoy]

[Text] The first portable Brazilian missile, fired by a single soldier and capable of knocking an airplane out of the sky in mid-flight from almost two kms away, has itself been shot down by the crisis. The loss of engineers and technicians, combined with the financial crunch resulting from cuts in military expenditures over the last two years, have caused the Ministry of the Army to consider the project nonpriority. Also affected were the Center for Electronic Warfare and the land forces computerization program.

In aviation, the Aerospace Technical Center in San Jose dos Campos is maintaining a good part of its advanced research projects in a "state of suspended animation."

according to a Colonel-Engineer. The Navy, which in the 1980's undertook an ambitious plan for independent nuclear capabilities, had to make dramatic changes to not compromise its successful endeavor. It shifted funds around, altered the fleet's modernization plan, and was thus able to limit the effects on the Aramar Center in Ipero, in the Sao Paulo interior, where it enriches uranium and designs a compact submarine reactor.

"No one works in the Armed Forces technical agencies to earn money," says the director of one of those institutions. "What counts is motivation, the sensation of being engaged in certain things that in practice represent national growth." That does not help, however, when it comes time to balance the family budget at the end of every month.

The Breakup

There are no available facts to indicate the number of professionals, and not just military, who have left the defense units involved in high technology projects. A former special munitions supplier to the three branches believes, however, that the figure could be up to 25 percent of the total cadres.

The Army Technology Center in Rio collects examples of this reality, such as the case of the major-engineer whose talent led to the creation of a miniaturized valve to control the guidance jets of a future missile. The official, now in the reserves, is offering his knowledge to a multinational in the biomedical field in the United States, in Texas, and is participating in the construction of anatomically adjustable artificial hearts. In Brazil he received the equivalent of less than 350,000 cruzados. In the USA, he is earning $7,500 per month (2.6 million cruzados).

A consequence of this is impoverishment of the nation's capability for creative thinking. There are even clearer consequences. In 1979, the Brazilian defense and aerospace industries had approximately 300 projects available, warehoused in the research organizations of the Army, Navy, and Air Force, many of them ready to be transferred to production lines. A third of those technological assets ended up in the catalog of defense materials the country exports to 32 nations. If the process were to be repeated now, the administrators would find their plates lamentably empty.

* Population To Number 200 Million by 2010

91SM0414F Rio de Janeiro O GLOBO in Portuguese 5 Jul 91 p 8

[Text] Brasilia—Brazil will have 200 million inhabitants by the year 2010. More than 166 million will live in the urban centers. The urban concentration will increase in all regions of the country. The rural exodus will be even more serious and will cause the rural population to fall from 38 million in 1990 to 33 million in 2010. In the Northeast alone the decline will be of two million. In 2010, only 16 million will continue to live in rural areas of the Northeast. The Applied Economic Research Institute (IPEA) of the Ministry of Economics released these numbers, which were the results of a combination of projections estimating the country's population from 1990 to the end of the first decade of the 2000's. The statistics presented indicate the distribution of Brazilians by region, sex, and age.

According to the IPEA report, out of the 200 million Brazilians living in the country in the year 2010, 17.5 million will be children under four years of age. Another 17.4 million will be between five and nine years. The report also indicates that more than 65 million will comprise the most productive labor segment of the country, aged from 20 to 40. Today, that group is comprised of 49 million people.

One of the projections reveals that 7.3 million Brazilians over 70 years old will be living in the country in the year 2010. Today, there are 3.6 million. The growth of the older population will be not only in absolute numbers, but also in proportion. Today, 2.5 percent of the population is less than 70 years old.

Distribution by sex indicates that more women will be born and fewer will die prematurely in the next 20 years. In 2010 Brazil will have 101.1 million women and 98.5 million men. The difference in favor of women, which today numbers 1.2 million, will climb to 2.5 million by the end of the first decade of the millennium.

The Brazilian population will be distributed thus in the year 2010: South—27.5 million (18.5 in urban centers); Southeast—93.3 million (74 million in urban centers); Center-West—13 million (9.9 million in urban centers); Northeast—53 million (37 million in urban centers); North—13 million (6.2 million in urban centers).

Colombia

President Gaviria Conducts News Conference

PA0908013691 Bogota Radio and Television Networks in Spanish 0034 GMT 8 Aug 91

[News conference by President Cesar Gaviria with local journalists and unidentified moderator on the first anniversary of his presidency at the Narino Palace in Bogota—live]

[Text] [Unidentified moderator] Azucena Lievano, Cripton Newscast.

[Lievano] Good evening, Mr. President.

[Gaviria] Good evening.

[Lievano] The country is experiencing a critical period, especially as far as justice issues are concerned. We have had a great experience with the repatriated Colombians who were in Mexican prisons. Does the government plan

to continue this policy, particularly when there are thousands of Colombians in prisons of other countries? Thank you.

[Gaviria] Yes, of course. The government wants to continue this policy, taking into account, of course, the limitations of the Colombian prison system. However, this policy depends on whether it can be of a bilateral nature. It does not depend exclusively on the willingness of the Colombian Government, but also on the domestic policies of other countries. We can only enforce this policy with countries that clearly state they are willing [to repatriate prisoners]. This is the specific limiting factor in repatriating Colombian prisoners who are serving time in U.S. jails. The U.S. Government has clearly stated that it is not interested in this policy and that prison terms for Colombians in the United States must be served in full in U.S. jails.

[Moderator] Hugo Sierra, Noticias Uno.

[Sierra] Good evening, Mr. President.

[Gaviria] Good evening.

[Sierra] Have the economic situation and the peace issue caused you great frustration or headaches during your first year in office?

[Gaviria] Yes, the government is undoubtedly concerned about this. We must work hard in the months ahead. Referring to the public order issue, the government has important achievements to mention and an important reconciliation process to show: the full reintegration of the M-19 [19 April Movement], EPL [Popular Liberation Army] and the Quintin Lame rebel groups into our political life, and the granting of full guarantees so that those groups may participate in the nation's political life. However, we have barely embarked on a dialogue process with the other more recalcitrant guerrilla groups: the FARC [Revolutionary Armed Forces of Colombia] and the ELN [Army of National Liberation]. We have barely begun talks with them, yet we have achieved progress on the agenda. We have reached an agreement on the agenda and that is an important step. Unfortunately, the groups have negatively affected the process' credibility and progress by opting for terrorism and indiscriminate actions against the civilian population. This was overwhelmingly rejected by citizens at every level of our society and in every region of Colombia. The people publicly gathered in our squares and streets to protest the criminal actions that these guerrilla groups have carried out against the civilian population.

Referring to economic issues, I would say we have a complex, rather than bad, situation. These complexities are sometimes the result of our economic policy's successes and achievements. Inflation has been difficult to reduce. This does not mean that it is much higher than last year's figures, but it has certainly been difficult to reduce, particularly due to monetary problems. Confidence in the country's economy and a massive inflow of capital from abroad has complicated the handling of our monetary situation, but this does not mean the situation is bad. It is complex and—within those complexities—we hope to return, in a relatively short time, to a policy that clearly shows the country's willingness to export and internationalize its economy. That is my goal.

[Moderator] Carlos Murcia, EL ESPECTADOR.

[Murcia] President Gaviria, the entire country admits the success of your in-depth economic, social, and political changes. Polls show a high level of popularity for the president, but the families are overwhelmed by the scourge of inflation. What specific measures and strategies will your government adopt to curb the high cost of living, to prevent an uncontrolled increase in publice service rates, and to prevent a loss in your popularity next year?

[Gaviria] The struggle against inflation is certainly one of the national government's greatest concerns. That is why we have always said we will not abandon the anti-inflationary measures we have adopted. The harder it is to achieve results, the more we must insist on that policy. I am sure that the second half of this year will be better as far as the struggle against inflation is concerned. I am sure we will be able to enjoy even lower inflation levels in the measure that we open the economy, in the measure that a heretofore slow recovery process gathers momentum, and in the measure that imports increase and we open up our economy even more. The greatest problem—not just for Colombia but for all of Latin America—has been the small economies and problem of compensating with imports our internal production deficiencies; our internal production gaps; our limitations in domestic food production; and, of course, our lack of manufactured products. In fact, all this causes inflation, but we will insist on our anti-inflation policy and hope to have good news about this issue in a matter of months.

[Moderator] Jaime Suarez, Emisoras Caracol Network.

[Suarez] Good evening, Mr. President.

[Gaviria] Good evening.

[Suarez] Mr. President, is it true that former Justice Minister Jaime Giraldo Angel resigned due to a confrontation with Defense Minister General Oscar Botero, who has proposed the appointment of military officers for the National Directorate of Prisons and even for the National Directorate for Maximum Security Prisons like the Envigado Prison, to prevent a lapse in authority. If this is true, Mr. President, would you be willing to sign the documents appointing military officers—either retired or in active service—for these posts? Thank you.

[Gaviria] I would like to say that the reason the justice minister gave me for resigning was exclusively his wish to join the Higher Council for the Management of Justice. I considered this good news for the government because Doctor Jaime Giraldo Angel has exceptional qualifications to play a leading role in the strengthening of Colombian justice. The operation of Medellin's

prisons was certainly discussed at length within the Security Council. There is some concern about how those prisons operate. The media has voiced this concern. The discussion included the participation of all the Security Council members. We have certainly analyzed the possibility of appointing a military officer in active service to the National Directorate of Prisons for an essential reason: The need to clearly establish responsibility within those jails, which are surrounded by military cordons, has been a difficult task. Coordination was not difficult, but it was quite difficult to establish who has certain responsibilities. There we have complications, which you are well aware of; many of them have been reported by the media. That is why we have been studying those possibilities. Frankly, I do not know if this has led to, or been the reason for, the minister's resignation but the minister told me what he had publicly said: He resigned because he considered his post as justice minister incompatible with his goals.

Changes will certainly be made later on and, given how the Legislative Commission works, it was more advisable and pertinent to make changes this early. To confirm what you said, the issue has certainly been discussed by the government. The reasons to eventually adopt such a decision, which is basically in the new justice minister's hands, are precisely to improve the coordination of the prisons' operations.

[Moderator] Edulfo Pena, EL TIEMPO.

[Pena] Good evening, Mr. President. Changes were recently made in important key posts. I mean those posts which implement the country's antidrug policies—for example, the justice minister and the regional attorney general of Antioquia. We now must add what you have just confirmed: The imminent appointment of a military officer to Envigado Prison and the National Directorate of Prisons. Does that imply changes in your antidrug policy? If so, what changes is President Gaviria's administration trying to make?

[Gaviria] This does not mean there will be changes in our drug policy. I must clearly establish that we have given guarantees to those persons—the drug traffickers who have surrendered to Colombian justice. As long as we lack valid or sufficient reasons to do otherwise, we are obligated to respect those guarantees. That fact that new people have replaced those who, at one time or another, were responsible for the success of the policy of submission to justice, does not at all mean that we are going to disregard the pledges made by the government through the National Directorate of Criminal Proceedings concerning certain guarantees that involve inmates' security.

[Moderator] Jairo Tarazona, RCN [Radio Cadena Nacional].

[Tarazona] Good evening, Mr. President. You said your administration's greatest frustration is having failed to achieve the guerrillas' demobilization. You have given us many reasons. Guerrilla attacks continue and it is said that subversive leaders are being cornered. Do you think your administration will feel frustrated if you do not achieve this demobilization and the country's pacification in your remaining three years, and thereby return the country to the situation that prevailed a year ago?

[Gaviria] I wish to point out a few things. First, I actually said our main frustration was seeing how the country became the victim of a wave of terrorism in February and another wave at the conclusion of National Constituent Assembly sessions. Precisely speaking, our frustration was not because we have been unable to reach peace with those armed groups. I know this is a lengthy and difficult process, but I hope it is within the reach of Colombians and this government.

However, the fact that we encounter so many difficulties in countering terrorist waves—which have caused so much harm to civilians, poor people, and the transportation system; left large portions of the national territory without electricity; and caused damage that will take several years to repair, for example, on the Uraba telephone system—is obviously a source of distress not only for the Presidency, but also, I am sure, for all Colombians. Some Colombians are so blind and ignorant that they fail to realize that their actions are producing destruction and harm. This is a source of frustration, I believe, not only for the president of the Republic, but for each and everyone of you and for each Colombian.

Obviously, the government continues to seek political solutions. As long as it believes that there is hope or a chance to attain peace through talks in Caracas, we will maintain that position. The concern is not that President Cesar Gaviria will become frustrated, but that those groups will become common criminals because justification for waging an armed struggle in Colombia has been completely eliminated.

The process of renewing the country's institutions and strengthening democracy and the legitimacy of those new institutions certainly leave the armed struggle and much more terrorism without any reason to exist. I am sure that those people who at one time or another were helped by civilians in certain regions will find themselves increasingly isolated and becoming worse criminals rather than people who struggle to uphold political ideals.

[Moderator] Fabio Fandino of COLPRENSA.

[Fandino] Mr. President, it is no secret that the military offensive launched by FARC and the ELN has been particularly strong since 9 December, when you ordered an attack on Casa Verde [FARC headquarters in Meta Department], despite a peace plan, which your government modified when you started the peace talks with the Simon Bolivar National Guerrilla Coordinating Board [CNGSB] in Caracas, being in place. Do you not think, in retrospect, that this was a mistake on the part of your administration because the executive branch wound up holding talks with the CNGSB in Caracas anyway, without the suspension of terrorist actions, which has involved a higher economic cost?

[Gaviria] I wish to clarify that decision. The first decision that the incoming president of the republic, exactly one year ago, conveyed to the Armed Forces of Colombia was that there was absolutely no place within the national territory from which they were restricted, that they had access to any part of Colombian territory, and that our armed forces need no permits to carry out military operations. Obviously, I would support any decision having to do with the presence of security and the Armed Forces anywhere in the fatherland.

That was not a decision that the president would have adopted [as heard], but the president supports it because he believes that the constitutional obligation of the Armed Forces is to be present in all regions of the fatherland, and more so where criminal activity and rebellion exists.

That government decision yielded the results that were mentioned. As long as the government is not committed to a peace process, it will continue to support the actions of the Armed Forces. They need the support of all Colombians, because if there is one thing needed to achieve peace and to reduce the number of armed groups, that is the support of all citizens for their armed forces and the need for them to rally behind their armed forces.

Obviously, this does not imply that we are accepting beforehand any possible abuse by one of its members, but the country needs to rally behind its armed forces and understand that they are essential to defending our institutions and to defending the new legal order. What we could do with armed groups is what we have already done with the M-19, the EPL, Quintin Lame, and the PRT [Workers Revolutionary Party]: Offer them guarantees to participate in the political struggle and pursue their objectives through peaceful, not violent, means.

Should it fail to find a political solution, the government is obliged to give the Armed Forces all its support to defend the new legitimacy and the country's democratic institutions, because we cannot allow a group of criminals to continue to disrupt the public life of the nation and to resort to increasingly indiscriminate and harmful actions against defenseless civilians.

[Moderator] Gloribel Pardo of Radio Super.

[Pardo] Mr. President, Jaime Girardo Angel, a conservative, has left the Justice Ministry and was replaced by Fernando Carrillo, a liberal. Have conservatives protested about not being dully represented?

[Gaviria] No, I understand that some legitimate discontent is being voiced in the National Salvation Party and Social Conservative Party, in one way or another, about an independent minister, as Minister Jaime Giraldo Angel described himself, being replaced by a liberal minister.

Nevertheless, Fernando Carrillo was the person I found best suited to be justice minister at this time and under these circumstances. My plans are to have my cabinet reflect the new political reality that will be created as a result of the October elections. Another cabinet change during this phase prior to those elections and then more changes after the October elections would sacrifice good administration simply for political considerations. I ask for understanding and patience from those political sectors and I assure them that the president will undertake the changes he deems necessary and appropriate once the October elections are held. I am confident that there will be patience and understanding of this decision, which I am, of course, willing to discuss and analyze with the leadership of those political sectors, if they believe my decision alters the political balance that I have sought to maintain and preserve. We have had a government in which the nation's main political forces have participated. We have been able to carry out the Constituent Assembly process with the participation of all the main political forces. Those forces are in the cabinet. I want to continue to maintain that policy, which has obviously produced good results for the country's institutional changes.

[Moderator] Marta Toro of Televisa.

[Toro] Mr. President, you recently acknowledged the success of the judicial system. Nevertheless, with regard to the surrender process [of drug traffickers], you said that some operational improvements and some expenditures were necessary. What are those improvements?

[Gaviria] Yes, some improvements must be made. A short while ago I admitted that there have been difficulties in the Antioquia jails. Legitimate concerns are being expressed about the way the jails are operating. Additional security is still needed to turn those facilities into maximum security prisons. Expenditures are still needed. The government plans to adopt several operational measures to correct this. It will make the necessary expenditures to ensure that those prisons are protected from any external attack and to give Colombian society the assurance that those people who have surrendered to justice are well confined.

[Moderator] Patricia Uribe of COLMUNDO.

[Uribe] Good evening Mr. President. As commander of the military forces, how do you view the general situation of Puerto Boyaca, where self-defense groups have continued to operate and where the participation of members of the Armed Forces in such groups has, to some extent, been confirmed? Is there impunity for these people?

[Gaviria] I hope no government authority maintains a deliberate attitude of tolerance toward groups that act outside the law. I have been clear and emphatic in this regard. My political past shows that I have never been tolerant toward those who seek justice by their own hands. I have criticized the paramilitary groups. I continue to believe that there cannot be any indulgence, permissiveness, or tolerance toward these groups. Our policy is one that permits these groups to abandon criminal activity and fully rejoin civilian life. Nevertheless, such groups still exist in Colombia and sometimes it is obviously difficult to completely eradicate them

because of the abuses committed by the guerrillas. The guerrillas' indiscriminate attacks against the civilian population make much more difficult the task of completely eradicating the paramilitary groups.

[Moderator] Domingo de la Espriella of TODELAR.

[De la Espriella] Good evening, Mr. President. In a news conference similar to this one, you said that you would set aside congressional seats for the CNGSB in line with progress in the Caracas talks. However, in the decrees that you have issued to from the Congress, one does not see those special seats for the guerrillas. Are you keeping that promise or have you decided to withdraw it?

[Gaviria] I want to explain what I said in a similar news conference several weeks ago. At the Caracas talks, the government agreed to include on the agenda, or better said, in agreement with the groups of the CNGSB, it introduced on the agenda the topic of political privilege [favorabilidad]. At the same time, the Constituent Assembly empowered the government to eventually negotiate those conditions of political privilege. One of its aspects would be to grant seats in Congress to the groups that eventually demobilize, lay down their weapons, and fully join a peace process. However this [3-second break in transmission] negotiation with the CNGSB. We will not do it if they do not abandon terrorism and weapons. We will not do it if the peace process does not really move forward. No one would understand if the government granted representation in Congress to armed groups, groups that use terrorism, or groups that continue with an attitude of rebellion and insubordination. It would be incomprehensible if we simply permitted people who persist in an armed struggle and who want to wage both a political and an armed struggle, to sit in Congress on equal footing. That is unacceptable. I maintain my offer, but it must be negotiated. We hope that the negotiation will yield good results and that we will eventually attain peace in the country.

[Moderator] John Portela of Radio Autentica.

[Portela] Mr. President, the Colombian people are celebrating the first anniversary of your administration. The foundations for peaceful revolution have been laid. How will this process be developed during the next three years of your administration?

[Gaviria] There are many tasks that lie ahead. First of all and most important is legal development of the Constitution. Many of the institutions, many of the concepts, and many of the norms that are contained in the Constitution and represent radical and important changes in Colombia, respect for rights, a strengthening of the justice system, and a purge of political traditions require legal development. Future legislatures and the new congress have the immense responsibility of producing this legal development.

The government also has the important task of modernizing the economic institutions of the country. Certainly in the previous congress, extremely important legislation was passed. The process of opening and internationalizing the economy is just beginning. Important decisions remain. Infrastructure works remain to be developed in the field of ports and communications. Of course, the social security system needs legislation that can allow the country to have a true social security system that can face the challenges that result from an increase in the number of elderly people. I would say that during these three years, we must consolidate the political changes, to make progress in the legislative field in the development of the Constitution, to seek peace, and of course to manage the country. Changes do not have to be only political in nature. The country needs to be managed, the state has to be more efficient, and of course we must maintain this rhythm, this capacity to maintain the spirit of renewal and change to which political and social forces of the country are committed.

[Moderator] Elizabeth Meek from the Cinevision newscast.

[Meek] Mr. President, within the framework of your justice policy, top security prisons have been built in different cities around the country. These jails have certain comforts, which are being requested by common criminals who are currently in other jails. Does one need to be a drug trafficker to enjoy such comforts or are you planning to remodel the other prisons in the country?

[Gaviria] I would point out the following: The jails in which the drug traffickers are staying do not have any special comforts, and I am sure that no Colombian would like to spend a night in a jail such as that because they are simply that, jails. Of course, I would admit that they may have more room, perhaps, and the phenomenon of overcrowded Colombian prisons may make them seem better than other prisons around the country. The solution to this problem does not have to be in committing ourselves to forcing drug traffickers to spend their time in overcrowded jails. Government has a commitment toward working for a prison system where none of the country's prisoners have to live amid the overcrowded, inhumane conditions experienced by many prisoners in Colombia. One of the decisions we are about to make in the next few days—because we are concerned not only about the operation of these prisons, but also about the operation of all Colombian jails—is in connection with implementing a new prison policy. The government will create a commission that will make recommendations to improve the country's entire prison system because evidently there are situations that clearly violate the rights of many Colombians. To remain in prison should represent punishment, but prisoners also have the right to some respect. Minimum principles and certain minimum conditions for existence need to be respected.

[Moderator] Olga Gonzalez from LA PRENSA.

[Gonzalez] The State Council ruling on television bidding has created many doubts. What is the position of the government on this?

[Gaviria] I would like to point out that I cannot speak on behalf of the National Television Council, an organization consisting people who, for the most part, are not members of the national government. I am sure that the National Television Council will make decisions according to the law. They will make every decision according to the law. They have very carefully reviewed the State Council ruling and they will make all of their decisions according to the law. It would be incomprehensible for the National Television Council to act against such a decision. As far as I know, the State Council has ruled for the suspension of a numeral, within an ordinal, of the entire document. It does not adversely affect the entire process of allocating television bids, but this is information, the ultimate responsibility for which lies within the National Television Council, and I am sure that this organization will be respectful of the legal order of the country.

[Moderator] Amparo Ponton from Noticiero de las Siete newscast.

[Ponton] Good evening, Mr. President. Your policy for fighting drug trafficking has been very successful for the people in Medellin. It is apparently not as successful for the people in Cali. A climate of increased violence is being experienced in Valle del Cauca, there are signs of an arms buildup, and the poppy business is emerging. Within the past few days THE ECONOMIST has said that if you were able to neutralize the Cali Cartel and the CNGSB, you would make Colombia the most prosperous country in Latin America. In addition to your current policies, have you thought about any other type of strategy to neutralize the Cali Cartel?

[Gaviria] First, I would like to point out that government policy is the same when facing all criminal organizations involved in drug trafficking. The policy is not exclusively directed at those criminal organizations that have resorted to terrorism, but at all those who in one way or another have placed themselves outside the law. I hope that a greater number of Colombians will submit themselves to justice in the future. Of course, those who do not submit themselves to justice will bear the full weight of the law and the full weight of the actions taken by the security organizations, because we have a clear commitment to our own citizens and to the international community to fight drug trafficking and to show our efficiency in the struggle against drug trafficking. That is why the operations we have implemented during the current year have doubled the confiscation of drugs in 1990. The Colombian policy has been tremendously efficient and we are the country that seizes the most drugs.

There is clear international recognition of Colombia's policies and the successes we have had, but of course there are organizations that persist in their criminal activities. They represent an obstacle to our attempts to make Colombia a prosperous, peaceful country and a country fully capable of taking advantage of its potential, because this is the most important nation in Latin America, the one with the greatest capacity for growth and prosperity.

I also hope that our public order situation will not deteriorate even more in the city of Cali. I hope that Valle del Cauca, which has traditionally been an oasis of peace and tranquillity, will continue to be firm in its determination not to be contaminated with the phenomena of violence. We hope that this will not occur so that the city of Cali and Valle Department can continue to enjoy a beneficial climate, even though drug trafficking activities are taking place there and against which we are going to fight because that is clearly our commitment.

[Moderator] On that note, we are going to end this news conference with President Cesar Gaviria Trujillo directly from Narino Palace. Thank you for accompanying us and good evening.

Minister Comments on Upcoming Talks With Rebels

PA0808163691 Bogota Radio Cadena Nacional in Spanish 2310 GMT 7 Aug 91

[Interview with Government Minister Humberto De la Calle Lombana by unidentified reporters at the Military Cadet School in Bogota on 7 Aug—recorded]

[Text] [De la Calle] The government has generously invited the guerrillas to join a peace process and to understand that the practice of politics must be legal. If this is not possible, the government will face the emergency and respond militarily to the acts of terrorism perpetrated by the guerrillas. We have said it many times; it is the civilian population, the poor people, and the owners of the transportation sectors and small businesses who are affected by the power outages. The Colombian people are affected by those actions. The government wishes to talk, but is also prepared to face other kinds of challenges.

[Reporter] We are prepared for peace, but are you prepared for another war?

[De la Calle] I would not call it the beginning of another war because this is a very old problem that often reemerges. The government is ready to confront those difficulties that may arise from a situation that is more complex than the current one. We are working on this. We are developing an emergency plan to improve the state's defense. We are studying additional measures and the people will be advised of these measures shortly.

[Reporter] During the next round of talks to begin in Caracas on 26 August, will the government tell the rebels that it is willing to make sacrifices for peace?

[De la Calle] No. That is a government decision that is not being negotiated. In Caracas we will broach topics included on the agenda previously agreed on by the Simon Bolivar National Guerrilla Coordinating Board [CNGSB]. We continue to insist on the need for a

solution through talks, but the guerrilla actions make things difficult. The people realize this. Not too long ago the rebels announced they were stopping all attacks on power lines, but they said nothing about attacks on the oil sector. The Colombian people own the oil. They did not mention the kidnappings either. We believe there is no such thing as a small attack. There is no such thing as a legal or illegal attack. It is a terrorist policy that the government is willing to discuss, but it is also prepared to respond with other means.

[Reporter] In light of the government's decision regarding the guerrilla's violent position, will the Caracas talks be suspended if the terrorist actions continue?

[De la Calle] We have not thought about that but we all know the talks cannot go on forever. If the rebels do not create certain conditions to enable the people to realize that the talks are good, they will have to be suspended. But we are not thinking about that.

[Reporter] The CNGSB said it would continue with the talks in the hopes of reaching a bilateral cease fire agreement. What is the government's response to this?

[De la Calle] We are studying certain issues regarding a possible cease- fire. We are also willing to listen, with goodwill, to any suggestions for a cease-fire to be presented in Caracas. We have an open mind in this regard. We are sincerely interested in finding solutions; but, if this is not possible, then I repeat, we are also prepared to confront an emergency of that nature.

[Reporter] What will happen if no agreement is reached during the upcoming talks in Caracas?

[De la Calle] We do not like to talk about something that has not happened. Our position on the Caracas talks is one of goodwill. We are willing to work on a solution for a cease-fire and other issues on the agenda. I would not like to talk about things that have not happened; however, the government maintains its position regarding the talks but it also gives its full support to the Army's actions throughout the country.

[Reporter] Can we expect changes on your views regarding the demobilized areas during the upcoming talks?

[De la Calle] Essentially the proposal remains unchanged. What we are trying to do is iron out specific issues so that during the Caracas talks we can present a more precise picture of the government's ideas on this matter.

[Reporter] [Words indistinct] said that new proposals will be presented on 26 August. What do you think these new proposals will be?

[De la Calle] I cannot guess what these proposals will be. What I can say is that we will study all that is presented carefully and with an open mind; however, this does not mean that we will stop condemning terrorism. [end recording]

Medellin Cartel Says Surrender Process Suspended

PA0808195091 Madrid EFE in Spanish 1848 GMT 8 Aug 91

[Excerpts] Santa Fe de Bogota, 8 Aug (EFE)—The Medellin Cartel announced today that no more cartel members will turn themselves over to local judges. It gave no reasons for its decision.

The Medellin Cartel, whose top leader Pablo Escobar and another 21 persons had surrendered since January, informed the media that "the surrender process was suspended." [passage omitted]

Meanwhile, Bogota press reports noted that the Medellin Cartel decided to suspend the delivery of 25 tons of dynamite that were in the hands of individuals within the cartel who are in charge of attacks for this drug trafficking group and are still free.

Government To Defer Process

PA0908015391 Mexico City NOTIMEX in Spanish 2329 GMT 8 Aug 91

[Text] Santa Fe de Bogota, 8 Aug (NOTIMEX)—Government sources announced today that the process whereby members of the Medellin Cartel surrendered to Colombian authorities will be temporarily suspended.

The sources warned that the lawyers of certain drug traffickers who are interested in availing themselves of government Decrees 2047 and 3030, which guarantee that they will not be extradited and that they will receive reduced sentences, will continue their consultations in accordance with the law.

According to the sources, members of the Medellin Cartel will not surrender to the authorities while they await the changes in the jail system announced by President Cesar Gaviria.

The Colombian president said on 7 August that the government is considering the possibility of appointing a military official to the National Directorate of Prisoners, and it is also thinking of appointing other military officers to the prisons where Escobar Gaviria and his lieutenants are confined.

According to President Gaviria, the changes in prison management will not affect the new drug trafficking policy, which grants special guarantees to drug lords who voluntarily surrender to the authorities.

The proposal to appoint military officials to the directorates of the maximum security prisons was rejected by Justice Minister Jaime Giraldo Angel who, according to government sources, resigned from the post because he disagreed with the measure.

Since September 1990, approximately 20 drug traffickers have accepted the official decrees; 18 of them belonged to the Medellin cocaine cartel.

Among the drug lords who have surrendered to the Colombian authorities are the brothers Jorge Luis, Juan David, and Fabio Ochoa Vasquez, and Pablo Escobar Gaviria, whom state security bodies have identified as the leader of the Medellin Cartel.

Incarcerated alongside Escobar Gaviria at the Envigado prison, 10 km south of Medellin, are 13 of his lieutenants.

* Exchange Measures Causing Monetary 'Squeeze'

* Lack of Credit Noted

91SM0417A Bogota EL TIEMPO in Spanish
7 Jul 91 p 4C

[Special report for EL TIEMPO by the National Association of Institutions—ANIF]

[Text] Not everything has to do with the Constitutional Assembly. In the very near term, credit will remain tight because of the minimum reserve requirement, and thus producers will continue bringing in dollars to finance their operations or else shut down.

Two weeks ago the administration decided to cut the link between the issuance of currency and the inflow of dollars. The Bank of the Republic closed its official and unofficial teller windows and now buys dollars only from the banks. Moreover, it pays exporters, through the banks, not in pesos but in "certificates of exchange," which cannot be cashed for three months unless they accept a discount of up to 10 percent. Those needing pesos can also sell them to others who are willing to buy these instruments as investments if they can get them at a discount.

Exporters do not care for the measure at all, but ANIF [National Association of Institutions] feels that it was inevitable. Until the day before it took this step, the administration was printing money like mad to buy dollars. To offset this it had slashed public investment and halted private lending, but not even with these measures had it been able to stem the heavy monetary outflow.

Induced Revaluation

The tighter credit is, the less expensive dollars and "certificates of exchange" are. In a normal situation many exporters would prefer to keep the certificates as an investment, instead of selling them on the cheap. But if there is no domestic credit available, they will turn in their certificates for whatever they can get. If credit is not forthcoming again, their hope is that the demand for imports and, consequently, for certificates to pay for them, will rise sharply. In other words, they are hoping that they can pass on the problem to those who are competing with these imports.

Several weeks ago, a three percent "withholding" tax was imposed on dollars from services, the name given to what cannot be justified as exports of goods. This measure recalls the famous 6-million peso blunder of three years ago, when a decree ruled that the banks had to tell the Treasury who was engaging in transactions of more than 6 million pesos a year. People withdrew their money from banks because no one wants the Treasury to know about every transaction that they make.

Now, so as not to appear on the Treasury's "lists" as sellers of dollars, many people would rather sell them to anyone who will agree to forget about the withholding, even if they receive an absurdly low exchange rate. The difference between this measure and the 6-million peso one is that this time the administration was acting on purpose. The foreign-exchange traders are very grateful, because they are making a killing by buying dollars at least 50 pesos cheaper than the banks.

Foreign Trade Fraud

One problem with the huge gap that now exists between the various exchange rates is that fraud in foreign trade is becoming more attractive. It is a very lucrative business to underinvoice imports and pay for part of them with cheap dollars from the services market, with the added benefit of evading Customs tariffs.

It is also very profitable to overinvoice exports by buying cheap dollars on the free market and selling them at a higher rate on the regulated market as if they were exports, while receiving the CERT [Tax Reimbursement Certificate] as a bonus. And we are not even talking about altogether fictitious exports. Under current conditions even the drug traffickers will become exporters of legal merchandise, at least on paper, in order to boost the exchange rate of their dollars.

There are those who think that all one needs to do to control fraud in invoicing is to set ceiling prices for exports and floor prices for imports. The problem is that there are almost 7,000 "tariff items," and each may include hundreds of different products. Just think about the combinations of sizes, materials, designs, and degrees of quality of the item called "leather purses."

Across-the-board administrative price controls would only serve to boost the earnings of regulators and Customs inspectors.

The Dollar's Future?

Forecasting the exchange rate of the dollar now is harder than it was a month ago, when ANIF felt that a revaluation was imminent (it has already happened) and advised people to sell their dollars before the knife fell. But the two extremes, the very short and very long terms, look clearer. In the very short term, credit will remain tight because of the minimum reserve requirement, and thus producers will continue bringing in dollars, their own or borrowed ones, to finance their operations or else shut down. Moreover, the Bank of the Republic continues to offer its bonds at an interest rate of 47 percent, as can be done only by an institution that is able to print

money to pay interest. As long as these two conditions remain in place, more dollars will enter than will leave, and the discount from the official rate will fluctuate between 20 and 30 pesos for those entering as exports and between 50 and 70 pesos for those that are sold through the foreign-exchange offices.

In the long run, one year, the depression and declining inflation will reduce domestic interest rates, and thus "fair-weather capital" will fly off to warmer climes. By then the demand for dollars to pay for imports will have increased greatly. Therefore, barring a miracle (and we must admit that one does happen every so often in this country), the price of the dollar will skyrocket. When this happens, those who have tried to avoid the domestic credit crunch by borrowing dollars will be squeezed dry by their own foreign debts.

Deflation in Sight

As expected, the June inflation rate dropped a half point, the first significant improvement this semester. It will fall further in the second half of the year, among other things due to a worsening of the recessionary trends and the falling prices of imports. But the administration could help itself a bit more and reduce the risks. Indexation has again reared its ugly head with fresh increases in transportation. The worst part, however, is that with the current interest rates of the Bank of the Republic, which sets the tone for the market, the conditions are being created for cost-push inflation and a wave of future arrangements between insolvent borrowers and their creditors.

* Earnings Affected

91SM0417B Bogota EL TIEMPO in Spanish
9 Jul 91 p 9A

[Report by Carlos Pineros]

[Text] Bank and financial institutions revealed yesterday with obvious concern that their profits are declining because the administration has tightened the money supply in a bid to moderate inflation.

No bank suffered losses in February, but the profits of 10 out of 24 of them were down from January. In March three posted losses, and five earned less than in February.

In April, the number of those posting losses remained the same, but the number showing less profit than in March jumped to 11.

This is an obvious effect of the minimum reserve requirement (the Bank of the Republic froze any checking-account deposits or fixed-term certificates of deposit, CDT's, that were above their balance as of 4 January), the bankers asserted, citing the preliminary figures up to April.

And the situation will worsen in the months to come, because operating, equipment, and administrative costs will remain the same while profits decline since deposits cannot be loaned out.

The outlook for financial institutions is even touchier, because they cannot bring in funds cost-free (as the banks can with checking accounts), and thus the administration has tried to compensate banks and institutions with yields ranging from 28 to 33 percent on the money that has been frozen.

There are two things that help them when tight credit does not make for good profits: dividends and sales of assets, the numbers for which improved the performance of Cofiagro (now the Livestock Financial Corporation), Colombiana, Nacional del Norte, Surameris, and del Valle up to April.

The most solid one is Corfioriente (since its recovery it has been growing steadily), followed by Tolima, Indufinanciera, Occidente, Progreso, and FES [expansion not given], although the latter posted a loss in April (down 38 percent from March).

Santander, Caldas, Oriente, and Occidente were outstanding in dividends and sales of assets (aside from the aforementioned institutions that posted the biggest numbers).

Dividends totaled 12.56 billion pesos as of April. Without them, profits stood at 5.87 billion, and without sales of assets, at a little under 3 billion pesos.

An analysis of bank acceptances reveals this noteworthy trend: they rose from 224.315 billion pesos in January to 239.57 billion in February, 284.581 billion in March, and 306.312 billion in April.

This is regarded as very rapid growth, resulting from tight credit. The possibility has not been ruled out that when an acceptance is converted into money at the bank that is liable, the bank may suggest the issuance of another acceptance representing principal plus the interest from the previous one.

This would be another effect of the tight-money policy (the solvency and reliability of the system have never been in doubt). Of course the holder of an acceptance can cash it by selling it on the securities market.

There will be no reason for such precautions when the administration eases credit, as it has already announced it will do, relying on a strong downtrend in inflation. The first signs of this trend showed up in June.

The portfolio of loans more than 12 months overdue rose from 91.542 to 94.398 billion pesos from January to April; the provisions for these loans increased from 83.889 to 87.631 billion pesos, and the net portfolio dropped from 3,085,553,000,000 to 3,054,223,000,000 pesos.

This means that all of the money that has entered the country is frozen. It was with good reason that the sales of Bank of the Republic bonds on the street rose from 391.427 billion pesos in April 1990 to a little more than 800 billion pesos last week.

CDT deposits in institutions as of April were up just 1.2 percent from the same period in 1990, and in banks they were down 1.9 percent.

The bankers we consulted, who asked to remain anonymous, drew a clear distinction between two concepts: lower earnings and losses.

Lower earnings are not the result of monetary controls, which are different from any other cause of losses when supply and demand are unfettered, all the more so when the system retains all of the costs of its equipment, operations, and administration in the hope that political measures will be abandoned and that their impact on the regular market can be overcome.

Venezuela

* Repercussions of Tight 1992 Budget Viewed

91SM0416A Caracas NUMERO in Spanish
14 Jul 91 pp 8-11

[Interview with Central Budget Office head Marcos Morales by Alfredo Carquez; place and date not given: "Well Run Dry: Budgetary Belt-Tightening"]

[Text] Although the idea is nothing new, especially when used as an element of official history, once again (at bottom line time) the banner of fiscal austerity has been raised. It is patently obvious that the notion of administering wealth according to standards of scarcity is a thing of the past. Today it is precisely the lack of resources that governs every action.

In the words of Marcos Morales, chief of the Central Budget Office (Ocepre), "revenues from the oil business are beginning to dry up as the driving force of the national economy." Of course, this process will take time. Nevertheless, the government would rather take advantage of the atmosphere of alarm, probably with the hope that Congress will finally pass an alternative mechanism, such as the value-added tax (IVA). Such a tax would never provide as much as 500 billion bolivares in a year, but it would contribute "more than 100 billion," say its proponents. Of course, our interviewee is one of those proponents.

[Carquez] What are the most salient features of the 1992 budget?

[Morales] The main thing is that it can be defined as a budget of fiscal austerity. This means that the programs to modernize and restructure the entire public administration will have to be accelerated, because in real terms, the same level of activity must be maintained with fewer resources. Current expenditures are reduced by more than 20 percent in this budget.

[Carquez] Is that the area that has been most drastically cut?

[Morales] Yes. Because investment spending remains at more or less the same level as in 1991. It went from 63.987 billion to 64.238 billion bolivares, an increase of just 251 million. Moreover, there are some transfers of capital to institutions that also make investments. But resources are no longer being transferred to public enterprises that produce goods of a private nature, such as iron and aluminum, for example. On the other hand, they are being transferred to entities such as Hidroven, which are involved primarily in the production of public goods.

[Carquez] In other words, the enterprises that are being restructured or privatized will receive special treatment?

[Morales] In 1991 the transfers were already being reduced. Now any transfers that are made will go basically to sectors such as water and electricity, or to some companies such as the Metro of Caracas. By 1992, consumption expenditures will amount to just over 166 billion bolivares, compared to 157 billion in 1991. This a growth of just 5.7 percent in spending, which means that if we have inflation of 15 percent next year, we will see a drop of 10 percent in real terms. The slight increase in consumption expenditures is due to the fact that we must accommodate some essential areas that must increase their current spending. One example is education, where the entry of new students at the beginning of the school year means that more teachers must be hired. But salaries will remain at the same level as in 1991. The Comprehensive Medical Assistance Plan (PAMI) also requires doctors and equipment. The Justice Ministry will need to hire 500 new Judicial Technical Police (PTJ) officers who will gradua e in 1992. But this amounts to very little. The budgetary guidelines are: no pay raises in 1992, current expenditures in the ministries must remain the same or lower than in 1991, and only a few exceptional measures may be taken in the case of programs that have been defined as top priorities.

[Carquez] What are those priority programs?

[Morales] Those that are linked to the agriculture sector, where approximately 61 billion bolivares has been allocated. The social programs, in most cases, remained at the same level as in 1991. But in some cases increases were given to guarantee coverage, in view of the expected rate of inflation. These are the programs for pregnant women, milk, school supplies, etc.

[Carquez] What criteria have been established for investment spending?

[Morales] Investment programs must be fulfilled, of course. They have been guaranteed sources of financing with local resources. But the majority of them are financed by multilateral loans, which means that these revenues are already locked in for the formulation of the program laws. There are other areas in the budget that are so-called legal and contractual obligations, which amount to 65 percent of spending. This budget is extremely hampered at a time when fiscal austerity is required, since the share of oil income as a source of financing for the increasingly hungry public sector is shrinking.

[Carquez] Is the proportion of revenues derived from oil declining? By how much?

[Morales] Oil accounted for approximately 81.6 percent of total ordinary revenues in 1991. By 1992 it will decline to 76.7 percent. With regard to total revenues, it share was estimated at 72 percent for 1991, 64 percent for 1992.

[Carquez] Is this happening because oil sales or prices have dropped, or because of a deliberate government policy of diversifying income?

[Morales] It is because 1991 reflected part of the boom in oil prices in the final quarter of 1990 and the first month of 1991. But we do not project any increases for 1992. That is why the ISLR [Income Tax] has fallen from 400 billion to 382 billion. This development is neither accidental nor planned; it is just a fact. Petroleum will continue contributing to Venezuela's fiscal revenues for many years to come, because a tremendous effort would have to be made for any other sector to generate more than 500 billion bolivares with internal taxes. The ISLR amounts to just 58 billion bolivares. Oil cannot continue to finance more spending, and the executive is adjusting to that availability of revenues. We must search for other means of earning revenue, and that is why one of the executive's proposals is the value-added tax. Ordinary revenues will rise from 658 billion to 670 billion bolivares, just 2 percent. Meanwhile, the population is growing along with the demand for public services, and constant improvements in quality are expected. The philosophy behind the 1992 budget is that costs should be minimized while the product generated by the same revenues should be maximized. Every office and every ministry must adjust to this, trying to make changes and restructure their management to guarantee a minimum level of services. But if more revenues are not available, it will be very difficult to increase coverage, regardless of any efforts at restructuring. We see, for example, that Venezuelans are contributing to the financing of the state by paying a little over 44 billion bolivares in ISLR this year. For this same period the cost of education is 126 billion bolivares. In other words, we are not contributing enough even to finance the education system. If we want to improve, not only must we make efforts on the management end, but we must also provide more revenues for the institutions. This requires a minimum sacrifice by the community. Petroleum will not give us any more. Society must think of ways to finance its budgets to achieve a minimum level of services. The IVA would provide more than 100 billion bolivares in 1992.

[Carquez] Is there any other type of restriction aside from the low level of the ISLR?

[Morales] Yes, there are others. For example, the national government has to continue providing a number of goods and services to the community that until now have been the responsibility of the national government. But the problem is, it must continue transferring resources to state governments, even though ordinary revenues are growing very little. That is why it is proposing to state governments a system to transfer certain jurisdictions so that they can also take charge of administering and providing resources. Many ministries would be decentralized, and their offices would serve as policy coordinators. There is also a proposal that the governors handle part of the revenues obtained from the IVA. The circumstances in which the government contribution of funds to decentralized agencies [Situado Constitucional] rises by 13 percent while ordinary revenues grow by 2 percent cannot be allowed to continue, as the government is left with 11 percent less with which to render services.

[Carquez] Some sectors contend that fiscal spending is too high.

[Morales] It cannot be. Here we are saying that among the general features of the 1992 budget is that no pay raises are contemplated.

[Carquez] Will some public sector contracts expire in 1992?

[Morales] Yes. But there are no resources; the collective bargaining agreements must be discussed. There are no resources, and if there are no more revenues, it will be impossible to comply with everything that has been established.

[Carquez] Judging by what you say, will next year be characterized by labor conflicts?

[Morales] Well, maybe, unless mechanisms are found to guarantee higher revenues. If that happens, these conflicts may not arise. If, for example, an IVA is approved, more revenues may be available, which would guarantee increased demand.

[Carquez] Will there be payroll cutbacks in the public administration?

[Morales] No. The part of the budget having to do with salaries cannot be touched.

[Carquez] According to the Office of Coordination and Planning (Cordiplan), in the first quarter of this year there was a deficit of 34 billion bolivares. If it persists, what effect will it have in 1992?

[Morales] We are constantly following developments in the public sector. If any deviations are noted, we simply make decisions on the scheduling of payments, the reduction of spending. We have our balanced budget program. We can do this because it is at near zero, plus or minus one.

[Carquez] Is it too optimistic to calculate the dollar at 56 bolivares?

[Morales] That is the reference we have. There are no other expectations.

[Carquez] Several laws are under discussion: the IVA, the reform of the ISLR, and the one on social benefits, which would require the state to contribute more than

100 billion bolivares. What would be the possible effects of passage of one or all of these laws?

[Morales] With regard to the new ISLR Law, we would have to see what the final version is. But it should improve the collection of internal revenues tremendously. The benefit law is also uncertain. If it is passed, the government would implement financing programs to carry it out.

[Carquez] Does the 1992 budget project any profits for the Central Bank of Venezuela (BCV), or will the current monetary policy continue?

[Morales] There is no allowance for that. The BCV is not intended to earn profits. Its role is to carry out a given monetary policy.

[Carquez] Is the amount of special revenues projected to come from privatization not the same amount (44 billion) that was eliminated from the 1991 budget?

[Morales] Those were the estimates given to us by the Venezuelan Investment Fund (FIV).

[Carquez] Why are the foreign commitments so high?

[Morales] The foreign debt service is at the same level as it was in 1991. An adjustment will be made to meet the payment of these obligations. Last year Congress did not approve everything, and the service is higher. We are going to finance that with additional credits.

[Carquez] Did you receive suggestions from the IMF and the World Bank in drawing up the budget?

[Morales] No. We only have routine connections with them. The national executive body informs us of the country's macroeconomic situation, and we draw up the budget taking into account the availability of resources.

[Carquez] What will happen if the reform of the ISLR and the IVA are not approved next year, either?

[Morales] The budget will remain the same. Unless Congress modifies it.

[Carquez] How much did the various public entities want?

[Morales] Everything they could ask for. But desire is one thing, real availability another. We had to adjust to it.

Central Government
Public Debt Service - Draft 1992 Budget
(billions of bolivares)

Item	Amount
External	118.608
Principal	7.056
Interest	111.552
Internal	58.332
Principal	10.040
Interest	48.292
Subtotal (Part. 40)	176.940
Transfers to Cametro	16.423
Contributions to foreign entities	2.164
Total	195.527

Principal Spending Items in Draft 1992 Budget
(percentage structure)

	1991	1992
I. Legal and contractural	63.0	65.5
II. Social subsidies	9.7	10.4
III. Committed spending	72.7	75.9
IV. Other spending	27.3	24.1
Total budget	100.0	100.0

Central Government
Economic Classification of Spending, 1991-1992
(billions of bolivares)

Item	1991	1992
Current Expenditures	462.802	548.501
Consumption expenditures	157.341	166.689
Remuneration	131.047	138.433
Purchase of goods and services	26.294	28.256
Property rental	96.559	159.844
Current transfers	203.565	216.724
To private sector	59.408	61.926
To public sector	142.260	152.005
To foreign sector	1.897	2.793
Corrections to budget	5.337	5.244
Capital Expenditures	191.559	173.896
Direct investment	63.987	64.238
Capital transfer	126.979	109.075
Corrections to budget	593	583
Financial Applications	76.421	75.772
Total	730.782	798.169